Austria Sch 18	Indonesia Rp 2500	Portugal Esc 75
Bahrain Din 0.650	Italy L 1100	S. Arabia Rls 6.00
Belgium BFr 38	Japan Y550	Singapore S$ 4.10
Canada C$1.00	Jordan Fils 500	Spain Pta 100
Cyprus Mils 500	Kuwait Fils 500	Sri Lanka Rup 30
Denmark DKr 7.75	Lebanon L 6.00	Sweden Skr 6.50
Egypt ...	Luxembourg LFr 38	Switzerland SFr 2.00
Finland Fmk 5.50	Malaysia Rgt 4.25	Taiwan NT$ 35
France FFr 5.00	Mexico Pes 300	Tunisia Din 0.600
Germany DM 2.20	Morocco Dh 6.00	Turkey L 160
Greece Dr 60	Netherlands Fl 2.50	U.A.E. Dh 6.50
Hong Kong HK$ 12	Norway Nkr 8.00	U.S.A. $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,366 — Tuesday July 10 1984 — D 8523 B

Hong Kong prepares for stock market storm, Page 4

NEWS SUMMARY

GENERAL

Peace hopes in UK pit strike

An end to the four-month-old UK coal dispute appeared within reach last night after three days of intensive negotiations between the National Union of Mineworkers and the National Coal Board were adjourned. Both sides said that real progress had been made.

The board said it had made big concessions to allow the union to retreat from its "over-aggressive stance."

There was no agreement yesterday, and the talks do not resume until Wednesday of next week. Meanwhile, the strikes seem set to continue. Page 8

Craxi in E.Berlin

The start of an official visit to East Berlin by Sig Bettino Craxi, Italy's Prime Minister, yesterday, boosted East Germany's new role as Moscow's intermediary in security talks with Western European governments. Page 2

Honecker visit

Bonn and East Berlin are close to agreeing that a long-mooted visit by Herr Erich Honecker, East Germany's leader, to West Germany, will take place – probably in late September or early October.

Oil pact likely

Industrialised countries are expected to agree tomorrow to co-ordinate more closely their emergency oil stock policies, to enable them to respond more rapidly in the event of an oil supply disruption. Page 3

Reactor closed down

The last of France's three military atomic reactors producing plutonium for its nuclear weapons programme has been closed down. Page 3

Moscow visit

Kuwait's Defence Minister Sheikh Salem Al-Sabah left for Moscow on a 10-day visit during which he is expected to discuss arms purchases.

Petrol price rise

French petrol prices are due to go up by 4.5 per cent after the Government's decision to increase petrol taxes to try to halt the recent rise in petrol consumption. Page 3

VAT wrangle

An argument between the UK's Customs and Excise and clearing banks about the operation of the British Government's scheme for accelerating payment of value-added tax on imports has been resolved. Page 3

River blockade lifted

Bargemen blocking pleasure-boat traffic on waterways in eastern France to press demands for improved trading conditions lifted their blockades briefly after the Government offered talks.

Canadian poll

Canada is to have a general election on September 4. The Queen's visit, scheduled for then, has been postponed. Page 18

Sikh appeal

Sikhs in the Punjab have called for a campaign of agitation from next Monday to force the army to leave the Golden Temple in Amritsar, occupied since last month.

Parents' choice

Belgian parents may be allowed to choose any name for their children, for the first time for 180 years provided it is not "absurd, shocking or ridiculous."

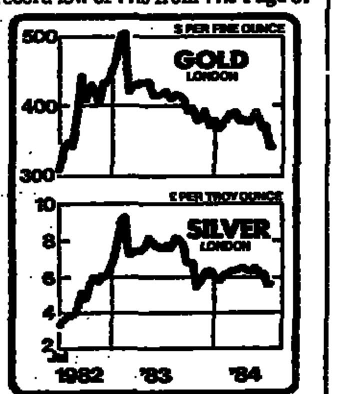
BUSINESS

Stocks in HK fall sharply

HONG KONG stocks slid steeply in reaction to Friday's 3¼-point boost in local prime rates. The Hang Seng index fell 49.26 to 773.60, but volume remained low. Page 18; Storm brews, Page 4; Market report, Page 27; Leading prices, Page 30.

DOLLAR improved in London to DM 2.8395 (DM 2.8375), FFr 8.7175 (FFr 8.7055), SwFr 2.392 (SwFr 2.3875) and Y242.6 (Y241.2). Its trade-weighted index on Bank of England figures rose to a record 136.4 from 135.8. Page 37

STERLING finished in London at a record closing low of $1.3065, a fall of 1.10 cents. It also fell to DM 3.705 (DM 3.735), FFr 11.3675 (FFr 11.46), SwFr 3.12 (SwFr 3.1425) and Y316.25 (Y317.5). The pound's trade-weighted index also finished at a record low of 77.6 from 77.9 Page 37



GOLD fell $1.50 on the London bullion market to $340. It also dropped to $339 in Frankfurt and to $341 in Zurich. In New York the Comex July settlement was $347.80. Page 36

WALL STREET: The Dow Jones industrial average closed 11.48 up at 1,134.05. Section III

TOKYO saw selling among speculative stocks, and the Nikkei-Dow market average fell 35.22 to 10,373.22 in low volume. The stock exchange index lost 3.62 to 788.44. Section III

LONDON gilts and equities suffered setbacks. The FT Industrial Ordinary index shed 7.7 to 811.6. Section III

FRANKFURT stocks showed further losses, particularly among car makers. The Commerzbank index slipped 9.4 to 964.4. Section III.

CATERPILLAR TRACTOR, the world's largest earth moving and construction equipment group, reported a turnround from a loss of $92m to a profit of $24m or 25 cents a share for the second quarter of the year.

EUROPEAN Currency Units (Ecu) have gained some acceptance in financial markets but the currency still requires support from EEC governments and institutions, according to a study by Banque Indosuez. Page 20

AUSTRALIA'S ruling Labor Party cleared the way for more foreign banks to operate there – provided they stimulate industry, trade and exports and provide finance for housing. Page 4

TELEFONBAU und Normalzeit, communications subsidiary of the West German Robert Bosch group, expects sales to rise by at least 5 per cent this year despite the effects on the economy of the metalworkers' strike. Page 20

The editorial content of today's international edition has been restricted because of continuing industrial action at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news.

Production difficulties in London may have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

Opec set to urge stricter control of oil production

BY DOMINIC LAWSON IN VIENNA

The Organisation of Petroleum Exporting Countries (Opec) is to launch a two-pronged diplomatic initiative in an effort to put a brake on the overproduction that threatens to bring about a collapse of oil prices.

That was decided at a meeting of Opec's market monitoring committee, which is to recommend to today's full ministerial meeting that Opec members should adhere more strictly to the official production ceiling of 17.5m barrels of oil a day.

Dr Mana Saeed Otaiba, the United Arab Emirates', Petroleum Minister and chairman of the market monitoring committee, said yesterday: "Everything is going wrong at the moment."

Opec had to "give confidence to the oil market by asking the member countries to abolish quota violations and direct and indirect price discounting," he said.

Dr Otaiba said an Opec delegation would be sent to member countries soon after this week's conference. The delegation would urge heads of state to ensure that national production quotas should not be exceeded.

In June, Opec countries are believed to have produced at the rate of 18.7m b/d, an increase of almost 1m b/d over the previous month. Dr Otaiba said the organisation would also start talks with non-Opec producers, such as Britain, which have been stepping up production. He was "sure the British Government is not interested in seeing an oil price collapse."

Dr Otaiba recognised, however, that Opec was "the marginal producer of oil in the world. We have to hold the market from collapsing. Price war is the only alternative," he said.

The UAE Minister said that at its next meeting, in Vienna on September 26, the market monitoring committee would decide whether an extraordinary meeting of Opec ministers should be called.

The market monitoring committee consists of the United Arab Emirates, Venezuela, Indonesia and Algeria. The Venezuelan minister, Dr Arturo Hernández Grisanti, said yesterday: "There is no possibility of the market justifying an increase in the quota of any member country."

That view, shared by the other committee members and which will be recommended to the full ministerial meeting today. It represents a rebuff to the Nigerian Oil Minister, Professor Tam David-West, who in an interview with the Financial Times on Sunday said that Nigeria would press for an increase in its quota of 1.3m b/d.

Prof David-West attended yesterday's meeting as an observer. Dr Otaiba said that the Nigerian Minister "did not ask for any increase in his quota at the meeting." However Prof David-West argued that the market monitoring committee had "no competence to discuss national quotas." He said there was "nothing sacred" about Opec's 17.5m b/d production ceiling, and he did not think Opec believed in "the obliteration of national resolve."

Agreement reached on European fighter study

BY DAVID WHITE IN MADRID

BRITAIN and four other European countries gave approval at a meeting in Madrid yesterday for feasibility studies on a jointly produced fighter aircraft for the mid-1990s, designed to counter U.S. domination of the Nato market.

The breakthrough in negotiations on the project appears to have been due in large measure to a British concession to France on the development of a new engine for the aircraft.

Defence ministers of Britain, France, West Germany, Italy and Spain set a deadline of March next year for a final decision on the project, known as the European Fighter Aircraft (EFA). A further ministerial meeting is scheduled then in Rome.

M Charles Hernu, the French Defence Minister, said that no member of the consortium would take a preponderant share, although some would have larger shares than others.

Ministers said that the budget for the EFA – which is estimated to have a potential market of more than $15bn – still had to be drawn up.

A communiqué after the meeting said that aerospace industries in the different countries would be given six months to prepare technical and industrial viability studies, and specified that an engine would be "designed for the EFA." That rules out the use of the RB-199 engine developed by Rolls-Royce for the Anglo-German-Italian multi-role aircraft.

"It is a new engine we are seeking for the European aircraft," Mr Michael Heseltine, UK Defence Secretary, said after the meeting.

However, the compromise agreement calls for a parallel study on the possible use of the new jet engine as a substitute in the Tornado.

"We wish to see explored a way in which these two requirements can be pursued together," Mr Heseltine said.

The French, who have been developing their own engine for an advanced fighter, have argued that the RB-199 would be out of date and too heavy for the planned twin-jet aircraft.

Sr Narcis Serra, the Spanish Defence Minister, said the final share-out of participation in the project had not been finalised but that some countries would hold a share of between 23 and 26 per cent each. That presumably refers to the British, French and West German participation, with Italy and Spain expected to split the remaining quarter-share of the project.

The market among the participating countries is estimated at 800 aircraft, replacing current generations such as Anglo-French Jaguars, U.S. Phantoms and French Mirage F-1s and Mirage IIIs.

The EFA would form a main part of those countries' air forces

Nigerian kidnap charges likely

BY KEVIN BROWN AND QUENTIN PEEL IN LONDON

CRIMINAL CHARGES are likely to be brought soon against some of those involved in the abortive kidnapping of Mr Alhaji Umaru Dikko, the fugitive Nigerian politician found drugged in a cargo crate at Stansted airport, near London, last week.

Sir Geoffrey Howe, the British Foreign Secretary, also told the House of Commons yesterday that the Government had formally requested permission for police to interview Nigerian diplomats over possible involvement in the operation.

His statement followed a meeting with Mrs Margaret Thatcher, the Prime Minister, and Mr Leon Brittan, the Home Secretary, to consider the far-reaching diplomatic ramifications of the affair, which has already resulted in a marked deterioration in relations between Britain and Nigeria, Britain's most important trading partner in black Africa.

Mr Dikko, a key adviser to ex-President Shehu Shagari, who is accused of coup-plotting and corruption by the new military regime, left hospital under heavy police guard. He had been recovering from sedation administered by his kidnappers.

Sir Geoffrey confirmed in his statement to Parliament that Maj Gen Haldu Hananiya, the newly accredited Nigerian High Commissioner in London, had been summoned for a second meeting at the Foreign Office and asked to give a "very early reply" to the request for police to interview members of his staff.

He was also given a renewed protest at the "totally unjustified and unlawful" detention by the Nigerian authorities of a British Caledonian Boeing 747 in Lagos, in apparent retaliation for the temporary seizure of the Nigerian Airways aircraft waiting to carry Mr Dikko from Stansted.

Mr Okan Edet, an attaché at the Nigerian High Commission, was held by police for 24 hours after the discovery of the kidnapping, before being released on Friday evening when his diplomatic immunity was formally claimed.

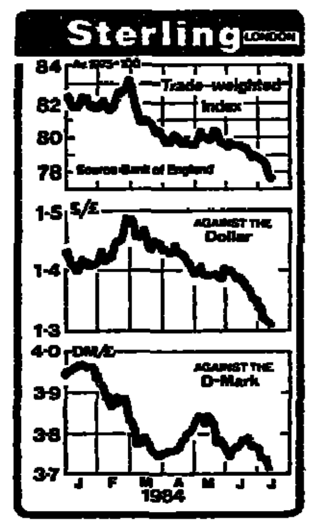
The request to interview the diplomats stops short of a full request for diplomatic immunity to be waived, which would only be made if police decided to press charges, Whitehall officials said yesterday.

However, Sir Geoffrey emphasised that police wished to interview more than one member of the High Commission, after the presence at Stansted of "at least one member" of the staff, and vehicles from the High Commission.

The Foreign Secretary faced strong pressure from Conservative MPs to act on his strong words after the Libyan embassy siege in May, when he threatened to expel diplomats in any further outrages.

Meanwhile the Nigerian Government appears to be treading cautiously in its response to the affair.

David Lennon adds from Jerusalem: Israeli officials have denied that any Israeli organisations, or individuals acting on their behalf, had any connection with the abortive kidnapping, although two Israeli nationals are being held by police in London.



Sterling continues to slide

By Philip Stephens in London

STERLING was hit by the continuing strength of the dollar, the announcement of a national docks strike, and the inconclusive results of the UK miners' talks yesterday. Sentiment that the meeting of Opec countries in Vienna would do little to steady crude oil prices also undermined the UK currency.

Britain's major banks face pressure for a further rise in their base lending rates within days of the last increase, following a further slide in sterling's value on foreign exchange markets in Europe

The rise in base rates from 9¼ to 10 per cent announced by UK banks on Friday failed yesterday to calm London's financial markets. Sterling fell to a new low against the dollar in London and money market interest rates climbed sharply. It recorded some of its losses, however, as the dollar fell back in New York last night.

In London, sterling closed down 1.10 cents on the day at $1.3065. It had touched an all-time trading low of $1.3025 after the announcement of the docks strike.

The pound also fell against most continental currencies, with its trade-weighted index against a basket of currencies ending at 77.6 compared with 77.9 on Friday.

Dealers said that unless there was a firm agreement by the Opec countries to stabilise oil output and prices, or clear signs emerged that the miners' strike was nearing settlement, sterling might be vulnerable to further losses.

Bankers and City of London brokers were speculating yesterday that a base rate of 11 per cent might be necessary in the next few days if the authorities were to halt the pound's slide.

Producer prices rise, Page 8; Lex, Page 18; Stemming the dollar's rise, Page 18; Money Markets, Page 37

Dockworkers call national strike in UK

BY DAVID BRINDLE IN LONDON

UK PORTS faced a shutdown from midnight last night after the Transport and General Workers Union called an indefinite strike by its 35,000 members in the docks and on the waterways.

The national strike, the first since 1972, has been provoked by the UK mineworkers' 18-week-old dispute. The transport union maintains that a statutory dock labour scheme has been breached by the use of contractors to load iron ore at Immingham docks.

The scheme was introduced in 1947 and provides for registers of dock workers controlled by local boards and the National Dock Labour Board, with employers and workers equally represented.

It is often said that the scheme virtually gives dockers a "job for life" guarantee. It stipulates that if one employer closes, remaining employers in the same port must take on its workers – virtually ruling out compulsory redundancy.

Dockers at Immingham, acting in support of the mineworkers, have refused to load iron ore on to trucks for transport to Scunthorpe steelworks and the British Steel Corporation has bypassed them.

Tension within the docks industry over the future of the statutory labour scheme underlies the strike call. Union leaders believe employers and the Government intend to abandon the scheme and they have been threatening action for the past three months.

About 13,700 dockers are covered by the labour scheme, but the transport union has also called out non-registered dockers, boatmen, tugboatmen and canal workers.

Port employers were speculating last night that the strike might not win solid support, especially among non-scheme workers. Dockers are traditionally loyal to their union, however, and in the past they have proved second only to the mineworkers in their militancy.

In terms of value, more than 60 per cent of Britain's overseas trade goes through the docks. If the strike is solid, shortages of raw materials could be expected to develop very rapidly.

In 1972, the docks strike cut exports by more than a third and official and unofficial action continued for 10 weeks. The Heath Government declared a state of emergency, but did not bring in the army.

Continued on Page 18

No solution to miners' strike, Page 8

BNP taps market for FFr 1.5bn

BY DAVID MARSH IN PARIS

BANQUE Nationale de Paris, France's biggest commercial bank, yesterday launched a FFr 1.5bn ($173m) issue of non-voting loan stock, its first big raising of permanent capital from the public since it was nationalised in 1945.

The issue, in the form of *titres participatifs (TP)*, which in character lie between bonds and non-voting shares, represents the single largest transaction in the series of moves over the last year by France's nationalised banks and industrialised companies to raise capital from the country's buoyant stock market.

The TP issue is non-repayable and carries a yield based partly on bond market interest rates and partly on the net consolidated profits of the bank. It is associated with warrants which will give BNP the opportunity of raising a further amount of up to FFr 1.5bn in coming years.

M René Thomas, the BNP chairman, said last night the funds would be used to boost the bank's capital backing in accordance with general efforts to improve the ability of international banks to meet increased business risks.

BNP, like the other big three French banks taken into state ownership after the second world war, has financed expansion over the past 40 years almost entirely by ploughing back its profits, rather than by raising outside capital.

Mr Thomas, noting that BNP's capital resources of FFr 12.8bn at end 1983 had been built up almost entirely through self-financing, pointed out that the bank's only previous attempt to tap stock market equity was its raising of FFr 156m in 1980 when the previous

Continued on Page 18

CONTENTS

Communal issues are gaining strength in national politics, writes **Paul Cheeseright**

Belgium's competing voices grow louder

THE pilgrims go every year. About 35,000 people of Flanders went to Yzer recently to commemorate the defenders of the town in World War I. The town then was nearly obliterated: some two-thirds of the buildings now are less than 60 years old.

Over the years though the annual pilgrimage has turned as much into a celebration of Flemish nationalism as a commemoration of the dead. "People make yourself into a state" was the theme this year.

"Flemish autonomy must not remain a mere dream," said Mr Roger Daels, chairman of the pilgrimage as he attacked politicians in favour of a unitarist Belgian state and demanded autonomous Flanders in a confederal Belgian state.

Such would be tantamount to the break-up of Belgium, a country whose existence rests on an uneasy alliance between the majority Flemish population of the north and the French-speaking Walloons of the south, the two divided by a linguistic frontier. Brussels sits uncomfortably with its majority of French-speaking people just on the northern side of the frontier.

The comments of Mr Daels follow with impeccable logic the historical process which has seen the Flemish gradually win back the ground lost in the 1831 constitution, the legal organ establishing Belgium and fashioned in the image of the French-speaking bourgeoisie.

The downtrodden of the 19th-century have become, if not the masters, at least the most powerful group in the Belgium of the 1980s. Their cultural demands have been recognised and economic power has shifted to the north away from the traditional heavy industry of Wallonia.

But both the main Flemish and French newspapers are agreed that Mr Daels' demands are an extreme version of Flemish aspirations. As much as it is possible to feel the pulse of more than 5m people, there is some evidence that dreaming about Flanders is less preoccupying than thinking about how to cope with the effects of recession.

That said, Flemish chauvinism is a political fact which is met on the other side of the linguistic frontier by comparable Walloon demands for an autonomous Wallonia. All politicians in Belgium must look over their shoulders at their linguistic base.

The centre-right coalition Government of Mr Wilfried Martens has sought, since it took office two and a half years ago, to hold down the lid on the inclination to indulge in communal politics. But the fact is that it could fall any day if communal issues surface in the cabinet and force ministers back on that base.

Arguably the danger is greater now than at any other time in the life of the present Government. The European election results of last month have shown that the communal issue is moving out of the preserve of the minority parties and into the current of the major parties.

In Wallonia and Brussels in the French-speaking electoral college, the Socialists gained ground not so much, it appeared, because of their economic platform but because they had on their list a man who is a non-Socialist but has become the symbol of resistance to Flanders. His name is Jose Happart.

He is the mayor of Fourons, a small town of mixed linguistic population near the language frontier but formally in Flanders. A French speaker, Mr Happart's tussle with the Flemish provincial authority has made him a symbol of Walloon sturdiness. In the election he won 234,000 preference votes. The overall Socialist vote was just over 762,000.

Mr Happart is fond of saying that he attracted twice the support given to Mrs Antoinette Spaak in 1979. She lost her Euroseat this time as representative of a specifically Francophone party devoted to maintaining a purely Walloon interest. "She was already representing resistance to the Flemish. Now I see that perception of the need to resist is still greater," said Mr Happart.

Relating this to national politics, the Socialists in the south are seeking to ride on the communal bandwagon. In Flanders, however, the majority Christian Democrats—the party of Mr Martens gave a lacklustre performance in the European election. If the opposition Socialists in thesouth can capitalise on communal issues, then the temptation for the Christian Democrats to adopt the same tactic may be too strong to resist.

Although support for the Volksunie, a Flemish nationalist party, fell away slightly in the European election, compared with the 1981 domestic general election, there has seemed no reluctance on the part of Christian Democrat members of Parliament to support demands for a greater use of Flemish.

A month ago, the Volksunie deputy, Mr Josef Valkeniers, tabled a bill in Parliament demanding that all the mayors and councillors of Brussels boroughs must be bilingual in French and Flemish. He attracted immediate support from the Christian Democrats.

And that move gives a clue to the way in which the communal rivalry of Flemings and Walloons is being played out. There are two elements.

The first is the tabling of legislation which has the effect of extending the compulsory use of Flemish among French-speakers who perhaps have no desire to practice use of the language. This is coupled by legal pressure on elected officials demanding demonstration of the ability to speak Flemish.

The areas affected are along the linguistic frontier and on the periphery of Brussels—the area indeed where both languages are freely used. An example was the effort of the Limburg provincial authorities —part of Flanders—to deprive Mr Happart of his Fourons mayoralty because he will not demonstrate that he can speak Flemish.

The second element is economic. Since the late 1970s, the communal argument has broadened into how to split up the national financial cake. Wallonia has been claiming funds for industrial rehabilitation, like bringing Cockerill Sambre, the ailing steelmaker, back to health, while Flanders has been increasingly resentful of pouring funds into what appeared a bottomless pit, when it has its own needs.

Practically this has led to long-running negotiations about how to split up between Flanders, Wallonia and Brussels contracts for, as examples, telecommunications equipment and offset arrangements for military purchases.

Politicians and officials admit that there is not likely to be any end to such rivalry, in spite of efforts to push more and more responsibility on to the regions. Belgium is not a natural state.

The centre-right Government of Mr Wilfried Martens (right) has sought to hold down the lid on the inclination to indulge in communal politics. But the fact is that it could fall at any day if communal issued surface in the Cabinet and force ministers back on that base.

East Germans keep open Soviet security contacts with West

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY'S new role as Moscow's intermediary in security talks with Western European governments received a significant boost yesterday with the start of an official visit to East Berlin by Sig Bettino Craxi, the Italian Prime Minister.

It was the first such visit by an Italian leader and only the second one to East Germany by the head of a European Nato country, following an official visit last week by Mr Andreas Papandreou, Greece's Premier.

Italian diplomats said the talks between Sig Craxi and President Erich Honecker are expected to include ways to revive East-West disarmament talks.

East European officials note that East Germany is being used increasingly by the Soviet Union to maintain a dialogue with Western European countries—above all West Germany—on security issues.

The main purpose is to attempt to convince the Western Europeans that they can play an important role in thawing the freeze in disarmament talks between Moscow and Washington by exerting pressure on the U.S.

East Germany, along with Hungary, has taken over from Poland the role of Moscow's go-between. Warsaw previously had the most active dialogue with the West of any Soviet ally. However, the turmoil in Poland since 1980 and continued Nato sanctions have restricted Polish foreign policy.

In an interview with an Italian newspaper last weekend, Herr Honecker said his talks with Chancellor Helmut Kohl, West German leader, which are expected to take place during an official visit to West Germany in the autumn, will include security questions. The question of what both sides could do to halt the deployment of Pershing 2 missiles in Europe and begin their removal would be discussed.

East Germany, he said, would then see to it that the new Soviet missiles on its territory would be removed. The present stalemate in East-West disarmament talks was "not irreversible." His country would continue to help unite all "peace-loving forces in a coalition of reason."

In Herr Honecker's talks with Mr Papandreou, who is a frequent critic of Nato nuclear policy, wide-ranging agreement on disarmament was expressed in the final communique. Last month, the East German leader had talks with Mr Olof Palme, Sweden's Prime Minister, during which he gave renewed support for a Swedish-backed proposal to create a Central European zone free of nuclear missiles.

● East Germany achieved its highest economic growth in a decade in the first six months of this year. National income—equivalent to GNP minus services—went up by 5.1 per cent. Economic growth last year was 4.4 per cent, and 2.6 per cent in 1982.

A new East German indicator of production efficiency, net industrial production, rose by 8 per cent, while labour productivity was up 7.2 per cent. Retail trade turnover, an indicator of living standards, rose by 4.4 per cent but this was believed to be largely made up of higher prices which are officially unaccounted for.

Watchdog growls at French free-spenders

By David Marsh in Paris

FRANCE'S EMBASSY in Bucharest had still not, by the end of last year, sent back to Paris 12 pieces of prized diplomatic furniture whose return was demanded in 1978 by the state supply agency — in spite of 11 presumably increasingly severe reminder letters.

The embassies in Washington and Vienna sold off at knockdown prices to second-hand merchants and scrap dealers valuable Republican furnishings which had languished for years in ambassadorial attics.

Back in Paris, a tapestry given in 1972 to the Posts and Telecommunications to decorate the minister's office had been relegated to the basement, where it was badly damaged.

The Ministry of Culture, which has the job of looking after France's national heritage, is itself responsible for losing 146 items of furniture scattered around such celebrated spots as the Paris Opera, the National Library and the chateau of Versailles.

The activities of France's Furniture Supply Agency, which owns about 100,000 pieces for loaning out to government establishments, is just one of the institutions put under testing scrutiny in the annual report of the Government's public spending watchdog body, the Cour des Comptes.

The Cour, set up in 1807 and staffed by some of the ablest civil servants in the government machine, delivers a yearly indictment of inefficiencies, waste, over-manning and general lack of economic *rigeur* throughout the immense, rambling and often uncharted landscape of the French public sector.

Apart from lamenting the mysteries of missing state-owned furniture, this year's just-published report exposes the following disparate examples of sometimes Byzantine misspending and waste of public resources:

● The Corsican railway system has suffered from what the Cour politely calls "seasonal" employee absenteeism fo more than 11 per cent for long periods.

● The state chemical company CdF—Chimie, an offshoot of the coal board, lost FFr 12m (£1m) in 1982 through an ill-judged diversification venture into high-quality polythene bags. Total losses from another diversification move—by Renault into Colombian coffee — cost FFr 700m.

● The Government's Agricultural Market Regularisation Fund hired one of the country's potato trade associations, which had already had "unfortunate" experienced on the potato market, to run a FFr 400m programme to distribute milk in schools, resulting in fraudulent misappropriation of more than FFr 8m in funds.

● The country's four military services—army, navy, airforce and gendarmerie—use different methods and organisations for keeping stocks of common spare parts for equipment such as helicopters. Extraordinary costs and delays sometimes arise in the furnishing of technical information. The operating and maintenance documentation for the Mirage 2000 fighter, for instance, costs FFr 200m, or as much as a single plane.

● The transfer of France's elite Polytechnique civil servant training establishment from the Paris centre to an outlying suburb cost FFr 850m, partly due to mistakes in managing the move. In 1982, former Polytechnique students still owed FFr 9.6m in education fees, some dating back to 1959.

West German companies drop fibre optics plan

By Johnathan Carr in Stockholm and John Davies in Frankfurt

WEST GERMANY'S five leading cable manufacturers have dropped a plan to set up a joint factory in West Berlin to make optical fibre for communications cable.

The plan has already been rejected by the Cartel Office but the companies have been considering appealing to the Economics Ministry in Bonn to override the decision.

However, Dr Karlheinz Kaske, the Siemens chief executive, said in Stockholm yesterday that no appeal would be made. Siemens would continue with a pilot project of its own.

Siemens originally proposed joining with AEG, Kabelmetal, PKI (a subsidiary of Philips of the Netherlands) and Standard Elektrik Lorenz (a subsidiary of ITT of the U.S.) in a plant to produce 100,000 km of optical fibre a year for use in cable making.

The Bonn Government has power to overrule the Cartel Office, but the companies have found little cause for hope during discussions with government officials.

Lambsdorff under tax investigation

Count Otto Lambsdorff, the former West German Economics Minister, is under investigation for possible tax evasion in connection with the affair of illegal party political contributions by the Flick industrial group, writes **Rupert Cornwell in Bonn.** He resigned from the Government a fortnight ago, when the judicial authorities decided to send him and two others to trial later this year to face corruption charges in the case.

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Amro Bank	10 %	C. Hoare & Co.	†10 %
Henry Ansbacher	10 %	Hongkong & Shanghai	10 %
Armco Trust Limited	9½%	Kingsnorth Trust Ltd	10 %
Associates Cap. Corp.	10 %	Knowsley & Co. Ltd.	10½%
Banco de Bilbao	10 %	Lloyds Bank	10 %
Bank Hapoalim BM	10 %	Mallinhall Limited	10 %
BCCI	10 %	Edward Manson & Co.	11 %
Bank of Ireland	9½%	Maghraj and Sons Ltd.	10 %
Bank of Cyprus	10 %	Midland Bank	10 %
Bank of India	9½%	■ Morgan Grenfell	9 %
Bank of Scotland	10 %	National Bk. of Kuwait	10 %
Banque Belge Ltd.	10 %	National Girobank	9½%
Barclays Bank	10 %	National Westminster	10 %
Beneficial Trust Ltd.	11 %	Norwich Gen. Tst.	10 %
Bremar Holdings Ltd.	10 %	People's Tst. & Sv. Ltd	10 %
Brit. Bank of Mid. East	9½%	R. Raphael & Sons	10 %
■ Brown Shipley	10 %	P. S. Refson & Co.	10 %
CL Bank Nederland	10 %	Roxburghe Guarantee	10½%
Canada Permn't Trust	10 %	Royal Trust Co. Canada	9½%
■ Charterhouse Japhet	10½%	■ J Henry Schroder Wagg	10 %
Cayzer Ltd.	10 %	Standard Chartered	‖10 %
Cedar Holdings	9 %	Trade Dev. Bank	10 %
■ Charterhouse Japhet	9½%	TCB	10 %
Choulartons	10½%	Trustee Savings Bank	10 %
Citibank NA	10 %	United Bank of Kuwait	10 %
Citibank Savings	¶ 9¾%	United Mizrahi Bank	10 %
Clydesdale Bank	10 %	Volkskas Limited	10 %
C. E. Coates & Co. Ltd.	11½%	Westpac Banking Corp	9½%
Comm. Bk. N. East	9½%	Whiteaway Laidlaw	10½%
Consolidated Credits	10 %	Williams & Glyn's	10 %
Co-operative Bank	*10 %	Wintrust Secs Ltd.	10 %
The Cyprus Popular Bk	9½%	Yorkshire Bank	10 %
Dunbar & Co. Ltd	10 %		
Duncan Lawrie	10 %		
E. T. Trust	10½%		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10 %		
Robert Fraser	9½%		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		
■ Hambros Bank	10 %		

■ Member of the Accepting Houses Committee.
* 7-day deposits 6.5%. 1-month 7.25%. Fixed rate 12 months £2,500 10%. £10,000. 12 months 10.25%.
† 7-day deposits on sums of under £10,000 6½%. £10,000 up to £50,000 7¼%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6½%.
‖ 21-day deposits over £1,000 7½%.
§ Demand deposits 6½%.
¶ Mortgage base rate.

Swedish industrial recovery 'boosted by home demand'

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE PERFORMANCE of Swedish industry strengthened during the second quarter, according to the latest Swedish business survey by the National Institute of Economic Research.

The recovery which has now been under way for more than a year is being sustained by a stronger demand from the domestic market as well as by swiftly rising exports.

Capacity utilisation in industry still falls short of "boom conditions" says the institute, but the recovery has reached the high point of hte last period of economic growth in 1979/80.

Most industries are enjoying stronger demand but the sectors benefiting most from the upturn are pulp and paper manufacture and the metal and engineering industries.

Swedish industry expects a further increase in orders and output in the third quarter and plans for the second half of 1984 are "-clearly expansive," says the research institute.

The recovery in domestic demand is chiefly benefiting the engineering industry and parts of the consumer goods sector. Despite higher production, few companies are planning to increase their workforces.

A warning that a package of tough economic measures should be expected in the autumn was given yesterday by Mr Bengt Dennis, governor of the Riksbank, the Swedish central bank.

He described the Government's target of holding the increase in labour costs to 5 per cent next year as "very optimistic."

In the wake of this year's inflationary wage round tighter economic policies were needed said Mr Dennis, in order to contain rising private consumption. With a minority government it was, however, a political problem to gain parliamentary support for such measures he admitted.

An autumn mini-budget could *include items such as higher* petrol tax and elimination of food subsidies and cuts in housing subsidies, suggested Mr Dennis. In addition, company profits were likely to be reduced in some way, a move demanded recently by the trade unions in return for moderate wage settlements in 1985.

Swiss outlook improves

BY JOHN WICKS IN ZURICH

THE SWISS economy is likely to continue its gradual improvement, according to a report by the Government's Commission for Economic Studies. Industry is said to be expecting a marked increase in new orders during the next few months and intends to raise production volumes.

Switzerland is expected to benefit particularly from the continued upswing in the economy of the OECD area. The country's important capital goods sector is likely to profit *from increased investment activity* on foreign markets, with probable support from the favourable exchange rate.

An acceleration is also forecast for domestic demand. While private consumption will probably remain virtually unchanged, construction activity is picking up and industry is investing growing sums in equipment.

IEA's new director looks for the flexible approach

BY PAUL BETTS IN PARIS

INDUSTRIALISED COUNTRIES are expected to agree tomorrow to co-ordinate their emergency oil stock policies more closely to enable them to respond more rapidly to disruptions in supply.

The agreement also envisages making early use of government stocks to calm the oil market and prevent steep rises in prices when conditions do not justify them.

A broad accord is likely to emerge at the meeting in Paris of senior government officials of the 21 member states in the International Energy Agency (IEA). It will also be the first IEA governing board meeting to be attended by Frau Helga Steeg, the senior West German civil servant who took over as executive director at the beginning of this month.

Frau Steeg has been director general for external economic policy at the Bonn Economics Ministry for the past 11 years and is the first woman to lead an important international organisation. She said yesterday she was confident that member governments would not simply shelve the emergency stock issue at tomorrow's governing board meeting.

"I hope the IEA will fairly soon add to its range of responses to supply disruption by agreeing to early use of governments' stocks as a means of calming markets that might otherwise become concerned about supplies," she remarked.

Intensive discussion on government stocks began in April after the IEA governing board asked member countries to devise a new more flexible intervention mechanism to cope with disruptions.

Dr Ulf Lantzke, the IEA executive director who stepped down in March after heading the agency since it was set up 10 years ago, had been actively pressing for a system capable of dealing with so-called minor supply disruptions.

Frau Steeg said yesterday that "considerable momentum had been generated," but she cautioned that there could still be problems and that more discussions on the stock scheme may be needed.

The existing IEA emergency oil sharing system should be maintained, she added, "*as a* fleet in being and not as a fleet in mothballs." That system is triggered when an IEA member country or group of countries faces a shortfall of 7 per cent or more of normal oil supplies.

Countries can intervene by making their oil supplies available to members suffering from a shortfall once the 7 per cent trigger is set off. But the mechanism has never been put to use, although it is tested by the agency every two years.

To avoid a repetition of the 1978-80 crisis when oil prices rocketed but without the 7 per cent barrier being passed, the IEA countries have been looking for a more flexible emergency stock intervention system.

Government and company oil stocks in the IEA area totalled 417m tonnes at the beginning of this month. Abut 19 per cent of this consisted of the official government oil stocks of the U.S., *Japan* and West Germany. For its part, the U.S., which has accumulated 400m barrels in its strategic petroleum reserve, has already said it would activate this if necessary in the event of a cut-off in supplies from the Gulf.

In spite of the current softness of the oil market, energy experts have continued to warn about the dangers of complacency and have urged industrialised countries to continue their efforts to insulate themselves from unexpected supply shortfalls.

At the same time as backing a more flexible emergency stock system, Frau Steeg also emphasised the need for increased co-operation between member-states to develop more efficient energy usage, alternative energy sources and new energy technologies.

But Frau Steeg, who makes no secret of her strong free market approach, believes direct government intervention in helping to develop new technologies should be kept to a minimum, especially in the case of providing finance. However, she said, governments should prod the different players in the energy field, encouraging companies, research institutues and universities to co-operate.

Frau Steeg appears keen to increase contacts at an informal level between the IEA, the oil-producing countries and non-oil-producnig developing countries. "I've been to many of these countries and I hope to use some of my long-standing relationships there," she remarked.

However, she does not think the time has come for a more formal dialogue between the agency and other organisations such as Opec. "I would not like the IEA to become a new playground for the North-South dialogue," she said.

Frau Steeg also seemed keen to emphasise that her arrival at the IEA did not mean that "a new age has started." Indeed, she said she intended to continue along the lines of Dr Lantzke, who also happens to be a fellow German.

In any case, she has not so far changed the general aspect of Dr Lantzke's old office. The furniture is the same and in the same place. But the room seems tidier and there is no longer the smell of small cigars.

VAT bonus of £1.4bn for Britain

By Paul Cheeseright in Brussels

THE UK Government will have a one-off gain in Value Added Tax revenue of £1.4bn ($1.8bn) this financial year, after the failure yesterday of a meeting of EEC finance ministers to agree on a system of tax collection on imported goods.

Mr Nigel Lawson, UK Chancellor of the Exchequer, in his March budget, said the UK would collect VAT on imported goods at the frontier, according to the continental European practice, from October 1 unless the other nine member countries were ready to adopt the British system.

The British system is to collect the tax at the point of destination after a short period of grace. A Commission proposal has been before the Council of Ministers suggesting the adoption of what is in effect the British system, as a means of easing delays at frontiers.

This proposal has met objections from Denmark, Greece, France and Italy – objections which were not eliminated yesterday. There is fear of a loss of revenue and, in the Italian case, fear of increasing the opportunities for tax fraud.

As the finance ministers do not meet again formally until October, British adoption of the continental European practice seems inevitable, bringing with it an immediate increase in revenue as tax payment delays are eradicated.

Mr Lawson has been anxious not to see domestic manufacturers at a tax disadvantage compared with importers. The effect of the switch-over is to achieve a harmony in EEC practice, although not one designed to speed the transit of goods.

VAT wrangle resolved, Page 6

Paris shuts last military N-plant

BY DAVID MARSH IN PARIS

THE LAST of France's trip of military atomic reactors producing plutonium for its nuclear weapons programme has been closed down. This leaves the country with no dedicated military N-plants for the first time since development of the nuclear *force de frappe* was started during the 1950s.

The plant, named G3, at Marcoule near Avignon, was put into operation in 1959 as one of the site's three gas-cooled, graphite - moderated natural uranium - burning reactors built during France's post-World War II drive to acquire nuclear weapons technology.

The Commissariat a l'Energie Atomique (CEA), France's nuclear energy commission, which runs the civil and military sides of the country's nuclear business, said G3 has been closed down following discovery of cracks in the reactor equipment.

G3 was scheduled to be decommissioned next year after a 25-year life in which it has produced both plutonium for the nuclear weapons programme and electricity for the national grid. Its two older sisters, G1 which went critical in 1956 and G2 which started up in 1958, were decommissioned in 1968 and 1980 respectively.

G3 actually stopped operating in April after gas was found leaking from the pipework. Considering the plant's age, the CEA found the cost of repairs prohibitive.

Although France is gradually modernising and enlarging its stock of tactical and strategic nuclear weapons, it is not believed to face any pressing need for military-grade plutonium. This is because of stocks of material already available, as well as advances in lowering the quantities needed for warheads on increasingly-accurate missiles.

Nonetheless, the phasin gout of the Marcoule reactor, as well as the expected closure in the next few years of other gas/graphite civil reactors occasionally used in the past to produce military plutonium, could conceivably lead to a supply shortage in the future.

Some experts believe that France is keeping options open to use its fast breeder reactors—which produce plutonium rich in the militarily-prized PU-239 isotope—as a possible source in coming years.

Petrol prices increase by 4.5% tomorrow

By Our Paris Staff

FRENCH PETROL prices go up by 4.5 per cent tomorrow following the Government's decision to increase petrol taxes sharply to try to halt the recent rise in petrol consumption.

The increase is the largest in the past two years and will see prices rise by 22 centimes, bringing the price of ordinary grade petrol in the Paris region to FFr 5.03 (43p) a litre from FFr 4.81 and of four-star petrol to FFr 5.34 (46p) a litre from FFr 5.12.

The Government move coincides with a renewed campaign by M Michel Leclerc, the French petrol discounter, to offer even larger discounts of up to 30 centimes a litre

Barge blockade eased after offer of talks

LYONS — Bargemen blocking waterways in eastern France to press demands for improved trading conditions lifted their blockades briefly yesterday after the Government offered talks.

The bargemen had been blocking pleasure-boat traffic at three points on the busy River Saone, north of Lyons, for 10 days.

Two of the blockades were lifted for several hours yesterday morning when the Transport Ministry agreed to discuss complaints of unfair competition for freight from the state rail service and demands for new welfare payments for bargemen without work.

There had been a number of violent clashes between bargemen and angry tourists.

Hong Kong battens down against a stock market storm

A fresh bout of nerves over Hong Kong's political future has brought stock market prices to their lowest level for almost eight months and is testing the local currency more sternly than at any point since it was pegged to the U.S. dollar last year, David Dodwell reports.

TYPHOON BETTY was not the only tropical storm breaking over Hong Kong yesterday.

A fresh bout of nerves over the territory's political future swept stock market prices down to their lowest levels for almost eight months and tested the local currency more sternly than at any point since it was pegged to the U.S. dollar in October last year.

"Politically as well as climatically, the Typhoon season has just begun, and some pretty turbulent times can be expected between now and September," a leading businessman said.

September not only marks the end of every year's typhoon season, but is the month at which China and Britain are aiming to initial an agreement on the future of the territory beyond 1997, when China is to reassume sovereignty over the Colony when Britain's leases run out.

The crisis over the local currency, which erupted suddenly last Friday when the Colony's bearish and rumour-ridden financial community convinced itself that the banking authorities no longer had the will or the ability to hold the Hong Kong dollar at 7.80 to the U.S. dollar, is already past its worst.

Prompt action by the Hong Kong Association of Banks in raising interest rates by a record 3½ percentage points to 17 per cent seemed after the weekend to have calmed fears.

As local interbank interest rates leapt above 20 per cent, so the HK dollar strengthened towards the peg level.

But political worries, based on uncertainty over what sort of agreement Britain is likely to reach with China on the Colony's future, are expected to get much worse before there is any chance of them getting better.

These are based on the twin convictions that Britain cannot be trusted to stand out for an agreement that is acceptable to the Hong Kong people, and that China's economic and political systems are so different from those of Hong Kong that, no matter what assurances Deng Xiaoping, the Chinese leader, gives about preserving "one country with two systems," these assurances are unlikely to survive intact for long after 1997.

These fears have been worsened by the secrecy surrounding the Peking negotiations, by contradictory comments and leaks from a number of Chinese officials in Peking and Hong Kong, and by the increasingly obvious fact that after 17 rounds of secret talks between Chinese and British officials, serious differences remain.

Nor have Hong Kong people found comfort in the dismissive treatment given in both London and Peking to delegations of the appointed local members of the Executive and Legislative Council in Hong Kong — the nearest thing the colony has to elected representatives.

To have these anxieties dismissed, and the delegations carrying them scorned, by MPs at Westminster and by no less than Deng Xiaoping in Peking has been a sobering experience for many Hong Kong people.

The most recent obstacle is the Chinese admission that they are pressing for a Sino-British joint commission to oversee the expected 13-year transition of Hong Kong back to Chinese sovereignty.

A series of orchestrated leaks have made clear that the Chinese are pressing, not for a backroom consultative group that would simply be informed of the Hong Kong Government's policy, but for a hierarchy of bodies which would monitor the territory's reserves, the state of currency and other areas of economic and political administration.

Xu Jiatun, director of the Xinhua news agency in Hong Kong and Peking's senior representative, said recently that the body would play "a supporting and co-ordinating role in the work of the Hong Kong Government so as to maintain stability and prosperity during the transition period."

To many people in Hong Kong, the proposed body looks very much like a shadow government. British negotiators in Peking were sufficiently perturbed b ythe idea to return to London last week for direct consultations in Whitehall.

One political observer noted yesterday: "The Governor returned to Hong Kong from talks with Mrs Thatcher insisting that everything was going normally and wanting to dispel rumours that the talks were in rouble.

"How can we believe him, when we know why he went to London, and that he has returned with two options—either to risk a breakdown of the talks by refusing to accept the Chinese demand, or to capitulate, giving China effective control over the Colony, not from 1997, but from 1985?"

These jitters have been heightened by a number of corporate upsets. Most recent was the decision by Wang Guangying, head of the Peking-backed Everbright Industries, to back ou tof a HK$1bn property deal in Hong Kong's North Point.

This seriously upset the market because, when the deal was first "agreed" in January, it was heralded as an expression of Chinese confidence in, and support for, the economy in general and the property market in particular.

The deal had played an important part in boosting the Hong Kong stock market in the early months of this year.

Another aggravating factor has been fresh evidence of a steady flight of capital away from the Colony. Hong Kong's newspapers carry almost daily advertisements offering advice on how to invest capital overseas.

Latest statistics on local money supply show that Hong Kong dollar deposits shrank by 1.2 per cent in May, while foreign currency deposits increased by 5.6 per cent.

This is in part a response to the high interest rates being offered on U.S. dollar deposits, but also reflects the fact that Hong Kong dolars are not much in demand.

A series of public flotations of private manufacturing companies in recent months has also raised eyebrows. With the stock market in such a depressed state, the logic for flotations is weak.

Many market operators have suggested that the real motive for flotation is to enable private businessmen to liquidate some of their investment in their own companies for investment outside the colony.

It is ironical that this confidence crisis is peaking at a time when Hong Kong's manufacturing industry is reporting a strong recovery from recession.

Exports have grown in real terms by about 50 per cent over the past year, narrowing the colony's visible trade gap. Inflation has fallen back into single figures. The gross national product (GNP) grew by over 6 per cent last year.

There are real fears that the crisis could slow recovery in its tracks. With prime lending rates now at 17 per cent, fresh investment in manufacturing industry will be dampened.

A number of Hong Kong's heavily indebted companies will also begin to creak if interest rates remain at these high levels for very long.

As Hong Kong was yesterday battened down against typhoon Betty, there was comfort to be drawn from the fact that, in a couple of days, the weather would be back to normal.

As for the squall of political uncertainty, no one was quite so sure that it would pass so soon.

Rand's decline increases economic fears in S. Africa

BY JOHN STEWART IN JOHANNESBURG

THE RAND continued to slide yesterday in the wake of a strong dollar and rampant dollar-buying by local importers, with suspicions being openly raised in the business community that not all the rand's serious losses were attributable to the strength of the U.S. currency.

There were fears that, despite the reassuring weekend statement by the Ministry of Finance and the central bank, the South African Government will be forced "as a result of intractable structural rigidity and political influences to shy away from tough market-related responses such as a severe reduction of the money supply increase."

The rand opened at U.S. cents 68.45 after Friday's close of U.S. cents 69 despite continued support from the South African Reserve Bank. It was trading in the afternoon at 67.50 cents.

The South African currency had already declined by about U.S. cents 5 in just over an week, and, with a large overhang of dollar-denominated debt in the domestic market, dealers were reluctant to predict the extent of the slide.

In the weekend statement, Mr Owen Horwood, the Finance Minister, and Dr Gerhard de Kock, Governor of the Reserve Bank, said that "the importance of realistic exchange rates can hardly be over-emphasised under the present circumstances."

Account would have to be taken of the fact that the rand's decline might be temporary.

The appreciation of the dollar in terms of virtually all other currencies was likely to be reversed during the coming weeks, they said.

What mattered was the average rand price of gold over a period of months, not days.

The statement announced a further 0.25 per centage point increase in the Central Bank's discount rate. This means the re-discount rates for Treasury Bills and bankers' acceptances will rise to 18.25 per cent and 18.75 per cent respectively.

As a result, many market observers are confident that prime rates, currently 21 per cent, will rise again this week.

However, a Standard Bank study of the behaviour of the trade-weighted value of the rand shows there are other forces at work. Against a value of 100 in June 1974, Standard Bank's trade-weighted index is now minus 26.5 per cent, compared with minus 20.3 a week ago and minus 15.8 per cent a year ago.

The South African economy is in no position to withstand external shocks of the kind that continue to batter its currency.

The money supply is growing too fast—over 20 per cent annualised—and the year-on-year inflation rate is once again heading for 12 per cent, after almost going under 10 per cent at the end of last year.

This test of resolution could hardly have come at a worse time for South Africa. The Government stands between outgoing and incoming Ministers of Finance; the onslaught from the political far Right has intensified, and the country's new constitutional dispensation of a tricameral parliamentary system will doubtless increase populist pressure for greatly increased social spending.

Asean again urges Hanoi to quit Kampuchea

By Chris Sherwell in Jakarta

THE SIX countries of the pro-Western Association of South East Asian Nations (Asean) yesterday reiterated their appeal to Communist Vietnam to withdraw its forces from neighbouring Kampuchea, stressing that a comprehensive settlement was needed speedily.

The association's Foreign Ministers — the highest-level Asean group to meet regularly —made the call at their 17th annual meeting in Jakarta. Officials said it pointed to further flexibility in the detailed peace plan they first unveiled last year.

The statement from the six —Indonesia, Thailand, Malaysia, the Philippines, Singapore and Brunei — followed a call for "immediate dialogue" made a week ago by the three Indo-Chinese states of Vietnam, Laos and Kampuchea.

Asean sees Hanoi's action as a threat to regional stability.

The fresh element in Asean's latest statement is based on recent calls for "national reconciliation" from Prince Norodom Sihanouk, the country former ruler who heads one of the three factions fighting together to regain power.

Beirut Airport reopens as protestors block roads

BEIRUT—Beirut airport reopened yesterday after a five-month closure, but the first passengers arrived in a city split in two by protesters demanding the release of hostages held by rival militias.

Officials fear the protesters threaten plans to restore peace to the city.

The first flight operated by eLbanon's Middle East Airlanes (MEA) since battles shut the airport on February 6 arrived as demonstrators blocked access roads with tree trunks, telephone poles and blazing tyres.

Beirut's port also resumed operations, but other road blocks stopped most port employees from reporting for work.

Families of people believed to have been seized by Moslem and Christian militias in nine years of civil war barricaded all four official passages between Beirut's Christian and oMslem sectors.

Moslem militias accuse the Christian "Lebanese Forces" militia of having kidnapped over 2,000 people. The Christian force holds the Moslems responsible for the disappearance of 1,500.

But both sides admit they now hold only about 200 hostages in all. The rest are presumed killed. Official promises to free those still alive aroused relatives' hopes, but delays have provoked them.

● Mr Mohammed Al-Faltouri, the senior Libyan diplomat in Beruit, was kidnapped by unidentified armed men yesterday, security officials said.

Mr Al-Faitouri, head of the "Libyan Brotherhood Bureau" (Embassy), was seized near the embassy building. Reuter

Hawke wins go-ahead for foreign banks in Australia

BY COLIN CHAPMAN IN CANBERRA

MR BOB HAWKE'S Government scored a major victory at the biennial conference of the Australian Labor Party yesterday when delegates voted by 56 to 41 to allow foreign banks to be established in Australia.

Both Mr Hawke and Mr Paul Keating, Treasurer, made powerful speeches to the policy-making conference, arguing that the granting of licences to foreign banks would provide jobs as well as stimulating competition for Australia's four major trading banks.

The Federal Cabinet is now likely to meet within a few weeks to give approval to calling tenders for the issuing of new banking licences. At least one bank each from Japan, the U.S., Europe and Britain are likely to be successful in the tender.

In a day in which the Left suffered a number of reverses, Mr Keating also won endorsement for a conservative economic strategy based on a reduction in the federal budget deficit to about A$7bn (£4.5bn). Moves for a more expansionary strategy were defeated by conference vote.

But the conference accepted a proposal from Mr John Dawkins, Finance Minister, for an immediate major review of Australia's taxation system.

Guidelines for this include a restructuring of income tax scales and a rationalisation of the system of deductions and rebates, along with a restructuring of indirect taxation and a stronger emphasis on capital taxes.

The Left, humbled in yesterday's voting, will come back fighting today when they try to persuade the conference to put a stop to uranium mining.

Mr Hawke seems, however, to have the numbers for a motion which would allow mining to go ahead at two developments in the Northern Territory and at the A$1bn Roxby Downs project in South Australia.

Kuwait seeks Soviet arms

MOSCOW—Kuwait's Defence Minister, Sheikh Salem Al-Sabah, arrived in Moscow yesterday for a 10-day visit, during which he is expected to seek supplies of anti-aircraft equipment and other military hardware.

Middle East officials said the prime purpose of his trip was to seek additional equipment to improve Kuwait's existing batteries of ground-to-air missiles.

Western diplomats in Moscow said they expected the Soviet Union to be sympathetic to Kuwait's needs.

Jackson support for Mondale 'not to be taken for granted'

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE Rev Jesse Jackson, the black presidential contender, has again warned that his support for the Democratic candidate in November's U.S. elections is not to be taken for granted.

Mr Jackson yesterday denied that he will urge a boycott of the election by black voters if he is not satisfied with the outcome of next week's Democratic national convention in San Francisco.

However, he is making clear that the party must not ignore the strength of the power base he has built by winning more than 20 per cent of the popular vote in this year's Democratic primaries and caucuses. Although he last week pledged to support Mr aWlter oMndale as the probable Democratic candidate in the autumn campaign, he is now deliberately letting it be known that the enthusiasm with which he does so is still open to question.

In an interview at the weekend, Mr Jackson said that he was "not obligated to work for the candidate as if I had a staff position." On Saturday he urged black voters, who could provide the Democrats with the margin of victory in November, to await his "signal" on what to do after the convention.

Mr Jackson recently warned the party leadership that his black supporters could not be counted on to vote simply as a result of "anti-Reagan mania" or a fear that if they did not support the Democratic candidate they would somehow "get left behind."

In addition, Mr Jackson still disputes the fairness of the Democratic presidential selection process which has given him only about 8 per cent of convention delegates. He has tabled a number of motions for debate at the convention, including demands for a reduction in U.S. defence spending and a reform of voting procedures in southern states which he believes discriminate against blacks.

Meanwhile, pressure is mounting on Mr Mondale from his advisers and party leaders to take the unusual step of announcing his vice presidential choice this week, before the convention starts on July 16. Many fear that if he does not do so, he will look as if he is bening to pressure groups at the convention, as each loudly demands the choice of its own candidate.

Nicaragua prepares for fresh guerrilla offensive

BY TIM COONE IN MANAGUA

A NEW offensive by U.S.-backed guerrillas seeking to overthrow the left-wing Sandinista government in Nicaragua is being prepared along the country's northern frontier with Honduras. The operation is timed to coincide with the fifth anniversary of the Sandinista overthrow of the Somoza dictatorship on July 19.

This claim about an offensive was made last week by the Commander Nein Cerna, head of state security, and repeated again here yesterday in a Foreign Ministry communiqué. Previous Government warnings of imminent guerrilla offensives have generally proved accurate.

The operation, code-named "Black Moon," is aimed at taking control of territory and towns in the north of the departments of Jinotega and Nueva Segovia. According to Commander Cerna, up to 4,500 contra rebels operating mostly from bases inside Honduras are likely to be involved. Their aim, he said, was to establish a provisional government in a piece of territory which "would then endorse direct military actions against the country by the U.S. administration."

The main rebel group operating from Honduras is the Nicaraguan Democratic Force (FDN) which has up to 12,000 men under arms.

IFC names new chief and change in lending

By Anatole Kaletsky

THE International Finance Corporation, the World Bank affiliate which invests in private sector companies in developing countries, yesterday announced new lending policies and the appointment of a new chief executive to spearhead the ambitious five-year capital expansion plan approved by the IFC board last month.

The IFC's new executive vice-president will be Sir William Ryrie, at present permanent secretary of the UK Overseas Development Administration and formerly second permanent secretary of the Treasury. Sir William will be the effective head of the IFC, since the corporation's titular president, Mr A. W. Clausen, is also president of the World Bank and is primarily concerned with running the parent organisation.

The corporate expansion plan which Sir William will oversee projects a doubling in the IFC's net investment rate, from a total of $1.9bn (£1.4bn) in the last five years to $4.4bn in 1985-89. The total value of projects assisted by the IFC could amount to about $25bn over the next five years, on the basis of the six-to-one ratio of IFC to other finance established in the past.

As part of its efforts to increase the range, as well as the magnitude of its financial services, the IFC will offer loans at floating rates for the first time in its 28-year history, it was announced yesterday.

The new floating rate loans, which will carry interest rates of between 1½ and 2½ per cent over six-month London inter-bank offered rate, will make up about one-third of the IFC's projected lending in 1984-85, Mr Georg Gabriel, vice president for finance and planning, said. About 20 per cent of the IFC's total commitments in the next five years will be in the form of equity-type instruments, and the rest will be traditional fixed rate finance.

Mr Babriel said that one of IFC's advantages as a lender to private companies in developing countries during the debt crisis was that it did not operate country lending limits similar to those of the commercial banks.

Andrew Whitley looks at the candidates for the presidential elections

Decks cleared for Brazilian succession race

"AT LEAST the game is now clearer. The players are beginning to show their hands." That opinion from a leading Brazilian politician articulated the general mood of the country following President Joao Figueiredo's recent abrupt decision to withdraw his plan for a return to direct presidential elections in Brazil.

The plan, presented in the form of a constitutional amendment, was removed from the chessboard when opposition politicians in Congress refused to back down in their determination to press for direct elections this year, rather than in 1988 as the military-led government was proposing.

This apparent fit of petulance from General Figueiredo, on seeing his pet project in danger of being modified radically, could be interpreted as a step backwards for "Abertura," the military's codename for the gradual restoration of full democracy to Brazil.

Yet "Abertura," in the sense of a political evolution guided from the top, has not existed for some time. President Figueiredo's chronic inability to lead, or even arrange a consensus, and the way in which the opposition parties stole the initiative—mobilising millions of demonstrators in their campaign for direct presidential elections—put paid to any illusions the generals may have still had.

The drama in Congress was almost welcomed with relief by the protagonists. After many months of shadow boxing and endless talk of conciliation, it meant that at last the decks were being cleared for action.

Last Tuesday two of the four declared presidential hopefuls from the official Partido Democratico Social, the PDS, Vice-President Aureliano Chaves and Senator Marco Maciel, announced that they were standing down as candidates. As both men had made their dissatisfaction with the Government and their party clear for some time, their defection came as no surprise.

The generals were left with few illusions about the opposition

But their statement that they would not be participating in September's PCS convention, which will pick the party's candidate for the electoral college in January, "with the way the rules are now" was a serious blow to the dwindling hopes of maintaining a semblance of unity in the party.

The break-up of the military-created party, based on loyalty to the ideals of "the 1964 revolution," went a stage further last week when a breakaway faction calling itself the "Frente Liberal" formalised its existence. Its platform calls for a government of national reconciliation.

The real victor, emerging stronger than ever from the rubble of the PDC, is Sr Paulo Maluf, the former Sao Paulo state governor, who is by far Brazil's most adept politician. The raucous "malufistas" have run rings round the inept attempts of his opponents to isolate him. Although widely disliked as an unprincipled machine politician, Sr Maluf now commands the support of two-thirds of the delegates to the PDS convention.

But for all practical purposes, at least as far as Gen Figueiredo and his remaining handful of loyal political aides are concerned, the PDS is dead. They no longer have an instrument through which they can exercise their will, whether in Congress or the electoral college.

With the President consciously counting the days until he can retire—"eight months and 20 days to go," he recently told one visitor—no intervention can be expected from that quarter. Instead the political tune is being called by a small côterie of civilian and military officials.

Among them are Planning Minister Antonio Delfim Netto, Sr Ibrahim Abi-Ackel, the Justice Minister, and Gen Octavio Medeiros, the national intelligence chief. For them any date in the foreseeable future is too soon for direct elections which, by their own admission, mean handing power to the opposition.

Governor Figeiredo's constitutional amendment proposal broke up on the shoals of his own party's internal dissent. But the unexpected, sudden stiffening of resistance from the equally divided opposition camp also helped to bring about the withdrawal of the bill.

Sr Ulysees Guimaraes, the veteran leader of the Partido do Movimento Democratico Brasiliero, the PMDB, has had an equally hard time of it recently, trying to unite the opposition parties around a common platform on the succession issue.

The dream of power to the people seems to have fizzled out

Most opposition politicians now privately recognise that, in the face of the Government's obduracy on the question, direct elections are no longer a realistic possibility. Instead they would settle for getting a compromise candidate, someone not identified with the past 20 years' *military rule*, in as President through an electoral college they can now hope to control.

Such a man is Sr Tangreco Neves, the PMDB governor of Minas Gerais state, a wily old fox who briefly held office as Prime Minister before 1964 (during Brazil's flirtation with parliamentary government) and a man of impeccably moderate credentials. But "mineiros," as that state's natives are known, are noted for their caution and Sr Neves is moving carefully before committing himself fully as the opposition's standard bearer.

home base in Minas Gerais, traditionally a powerful state. In essence that means a pact with Sr Chaves, himself a Mineiro and a former state governor.

Next, and more difficult, will be the need to ensure the loyalty of the maverick Rio de Janeiro state governor, Sr Leonel Brizola, the man the military and their supportiers most fear, but who is almost certainly out of this year's race.

Finally if Sr Neves is to become president next March—and at present he stands a good chance—he must overcome the resistance both to his left wing of thet PMDB and from the trades unions.

Unaccountably, the dream of "power to the people," so powerful just three months ago, appears to have fizzled out. "It was all political carnival," say local pundits condescendingly.

Instead, Brazil's 1985 succession rase looks, with six months *to go, to have settled into* a two-horse contest, with the Interior Minister, Sr Mario Andreazza, still in the running as an outsider. At the moment it looks neck and neck, but the big business money is being put on the Minas Gerais Governor.

Coca Cola backs bankrupt Guatemalan plant

BY DAVID GARDNER IN GUATEMALA CITY

COCA COLA has undertaken to find a buyer for its bankrupt Guatemalan franchise, or to operate it itself until a new owner can be found, according to diplomats and trade union officials here. The move follows agreement at a meeting in Costa Rica between leaders of Stegac, the local Coca Cola union, and Atlanta-based executives of the U.S. soft drinks concern.

The controversial record of Coca Cola's main Guatemalan operation, known as Embotelladora Guatemalteca SA (EGSA), where eight trade union leaders were murdered between December 1978 and June 1980, led to a two-year boycott of the company by the Geneva-based International Union of Food and Allied Workers' Associations (IUF).

This situation appeared to have been resolved by 1981 when Coca Cola found a Panama-based company, Administration of Investments in Central America (Aica), to take over. Coca Cola also injected new working capital.

However, Aica's decision to declare the company bankrupt on February 17, leaving outstanding obligations estimated at $13m-14m, provoked the immediate occupation of the plant by the union's 468 workers and has led to a drawn-out dispute, with the possibility of a new international boycott campaign against Coca Cola.

According to the union leaders, stoppages took place at 12 Coca Cola plants internationally in support of the Guatemalan union. The boycott threat and past controversy, the union leaders believe, persuaded Coca Cola to come to terms with the plant occupiers.

Under the agreement reached in C atsoiRc, TH TH reached in Costa Rica, Coca Cola has also agreed to recognise the union, committed itself to honouring the labour contracts rescinded by Aica, agreed to pay compensation to the windows of the eight trade union leaders murdered under the previous franchise-holders and paid out two months' wages to those involved in the sit-in, as payment for looking after the plant.

Severance payments of around $5,000 a head are on deposit in local banks but have not been touched by the union for fear of prejudicing their legal position.

The offer of severance payments was one of the last actions of Mr Anthony Zash and Sr oRberto Mendez, the Aica directors who left Guatemala shortly after filing for bankruptcy. Another Aica director, Sr Roberto Herrarte, left the country earlier as the first allegations of irregularities at the plant began to emerge.

These allegations, made initially by the union, began to take shape after auditors were sent in to investigate union claims that the company's finances were being systematically drained. After the union sent it own production reports to Geneva, the IUF got in touch with Coca Cola in Atlanta and the New York firm of Locker, Abrecht Associates was brought in to do an audit on Egsa.

The auditors, one of whom received death threats while in Guatemala City, found evidence that large amounts of money were unaccounted for, largely through bogus invoicing, particularly on sales in the Guatemalan interiar, and promotional costs, according to trade union and business officials and diplomats.

HOW THE MINERS ON STRIKE HAVE BEEN MISLED...

ABOUT THE PLAN FOR COAL.

Miners who are on strike are angry. And it's easy to understand why.

They are angry because of what they have been told by their leaders.

But have they been told the truth?

The sad thing is that this strike is totally unnecessary.

To get them out on strike, our miners have been deliberately misled by their leaders. Causing both bitterness and hardship among miners.

If it goes on long enough, the strike threatens up to 30 good pits with permanent closure. And it could cost not only miners, but also steel workers and railwaymen jobs that should not be lost.

It will drive away future coal customers.

It will make coal more difficult to sell.

Surely, this isn't what our miners want.

That's why, day by day, the Coal Board is publishing the facts. Facts that have been buried by the emotion, and the propaganda of the strike.

Has Plan for Coal's investment been honoured?

Time and time again, the miners' leaders have accused the Coal Board of not honouring the Plan for Coal.

The Plan for Coal, drawn up in 1974 between the NCB, the mining unions and the Government, hoped for £4.3 thousand million to be invested in the coal industry between 1974 and 1985.

So far, £6.5 thousand million has been invested. That's £2 billion, or 50 per cent more than envisaged. (All figures are expressed in today's money).

Is Plan for Coal's production target being achieved?

Because Plan for Coal did not predict the effects of the fall in energy consumption, the forecast for coal demand in 1985 was about 20 million tonnes more than we now estimate will be used. But, in percentage terms, the Plan hoped that by 1985, coal would be providing a third of the nation's energy needs. Currently, we have a slightly better share of the market than forecast.

Is the industry being modernised – as hoped for by Plan for Coal?

Plan for Coal looked for 42 million tonnes of new capacity by 1985. All this capacity is now completed or under construction.

Plan for Coal expected that the new low-cost capacity would replace the worst, most uneconomic capacity.

Yet the miners' leaders refuse to recognise this.

The Final Tri-partite Report on the Plan for Coal said in paragraph 27: "inevitably some pits will have to close as their useful economic reserves of coal are depleted".

The Plan for Coal envisaged that between three and four million tonnes of capacity would be closed each year. Yet the average has been only about half that amount.

Since 1974, only 80 pits have closed. Just 12 per cent of our production is now directly costing more than £275 million a year to support. This is money that should be going into modernising our better pits – as Plan for Coal intended it would.

Britain is the only country in Western Europe that is investing so heavily in the future of coal.

The British coal industry has excellent prospects.

This strike – not the Coal Board – could butcher the industry.

That's why it is so important that this strike ends soon.

It was called by the miners' leaders. It now needs to be called off by the miners themselves.

NCB

One in a series issued by the National Coal Board.

UK wrangle over collection of VAT resolved

BY CHRISTIAN TYLER, TRADE EDITOR

AN ARGUMENT between Customs and Excise and the clearing banks about the operation of the UK Government's scheme for accelerating payment of VAT on imports has been resolved.

According to importers, the wrangle was threatening to cause administrative delay, resulting in chaos at the ports when the scheme takes effect on October 1.

The Committee of London Clearing Bankers had objected to the terms of the guarantee that banks have to provide for importers which apply to pay their VAT bills monthly by direct debit.

Many smaller traders, unable or unwilling to pay VAT immediately on the arrival of their consignments, have applied for this limited deferment. Their applications have to be in by the end of this month.

Now the Customs and Excise has lodged "a letter of intent" with the clearing banks' committee, and banks will instruct their branches to provide customers with the necessary guarantees.

Settlement of this relatively minor dispute has not, however, removed trading organisations' fundamental objections to the scheme. Bodies like the British Ports Association, the British Importers Confederation, the Freight Transport Association and the Institute of Freight Forwarders are still demanding a meeting with the Treasury to air their complaints.

They say that bank guarantees are unnecessary, are not required of other VAT-paying businesses, and that the Government's attempt to levy VAT at the ports will be expensive and disruptive to dock traffic.

Mr Roy Skelton, secretary of the importers' confederation, said yesterday: "It's a disguised import deposit scheme, which is purely protectionist." He claimed that the Exchequer's one-off cash flow gain of £1.2bn would "cost millions" in management time over the years. There would be serious blockage at the ports before October as agents tried to escape the new system and afterwards as consignments were checked.

He said the Government was talking of providing another 100 customs officers to administer the scheme, but at the same time was being advised to cut the regular service countrywide.

Export credit rate change

NEW MINIMUM export credit rates to be charged by OECD countries from July 15 were published yesterday, our Trade Staff writes.

This is the first move in the so-called "consensus" rates since a semi-automatic adjustment system was agreed last October. It follows the first appreciable change since then in government bond rates for the five SDR currencies.

Arrangements for officially-supported financing in low interest rate currencies—those whose commercial rates fall below the "consensus" top rate—are not directly affected.

NEW OECD EXPORT CREDIT RATES

(with current rates in brackets)

	Cataegory I (relatively rich)	Category II (intermediate)	Category III (relatively poor)
	%	%	%
For credits between 2-5 year inclusive	13.35 (12.15)	11.55 (10.35)	10.7 (9.5)
For credits over 5 years	13. 6 (12.4)	11. 9 (10.7)	10.7 (9.5)

Cairo puts off choice of N-plant contractor

By Charles Richards in Cairo

EGYPT has postponed a decision on who will build its first nuclear power plant while the nation's consultants, Moto-Columbus considers the answers to some 300 technical questions asked of the bidders, according to officials in Cairo.

The choice of bidder was to have been made in June, then was postponed to mid-July, but now officials do not expect a decision before the end of the month.

Bids were called for the building of one or two 1,000 Mw pressurised water reactors (PWR) at Al-Dabaa, 160 km west of Alexandria on the north-west coast. Egypt intends to build eight such reactors to generate 40 per cent of its electricity needs by the year 2,000.

When bids were opened last November, there were offers from five companies: Westinghouse and Bechtel of the U.S., Kraftwerk Unions of West Germany, and a Franco-Italian consortium led by Framatome of France. The fifth bid was from BBC of West Germany and Switzerland for the conventional non-nuclear island only.

The Franco-Italian consortium is most strongly placed since it is committed financing for the project.

The French Government export credit agency has said it would guarantee up to $900m in loans, and the Italians have committed themselves to $600m. They are counting on the Egyptian Government for the full $700m put aside from oil revenues in a speciatl renewable energy fund.

UK sells 140 buses to Hong Kong group

KOWLOON MOTOR BUS of Hong Kong has ordered from the UK 140 buses in kit form for assembly in the territory, our Trade Staff reports.

The contract is being financed with the help of an £8.5m loan facility arranged by the merchant banking arms of the Hong Kong Bank group. hTe loan will be at 10.35 per cent, and is becked by Britain's Export Credits Guarantee Department.

The order for buses and spares has been placed with a range of UK companies, including Hestair Dennis, Duple (Metsec), Leyland, Merto Cammell Weymann, and Walter Alexander.

Dutch gas price squeezed by Soviet supplies

BY JAMES BALL

DISTRIGAZ of Belgium has won a special three-month gas price concession from its main supplier aGsunie in a move which prevented the Soviet Union gaining a toehold in the eBigian gas market.

According to the newsletter International Gas Report, iDstrigaz, the Belgian national gas company approached its Dutch counterpart aGsunie in the closing days of June with a Soviet spot contract in hand and asked Gasunie to beat it.

Gasunie, keen to keep Soviet competition out of a market it supplied with 5.6bn cubic metres last year, did just that. But the marketing battle with its Soviet competitor, Soyuzgazeksport, is bound to affect the price expectations of both exporters' West European customers this year.

The Soviet contract followed Belgian government approval in mid June for Distrigaz to approach Soyuzgazeksport for a cheap supply of gas for the country's ammonia and fertiliser producers. The downstream producers, which have long complained of unfair competition from their Dutch counterparts—they pay a special low price for their gas—wanted Dsitrigaz to change them at the Dutch rate too.

Soyuzgazeksport offered iDstrigaz a model spot contract. In the gas industy where 20 year contracts with minimum lifting requirements are the noram, "spot" is less than two years. It was up to 500m cubic metres a year, 15 months, from July 1, 1984; had a fixed price for the first three months with regular renegotiations thereafter; undercut the French and eGrman price by 10-15 per cent ($3.82-$4.05m British thermal units—Btu—assuming a French price of $4.50 per m Btu) and, most important, contained no minimum lifting requirement. This was the contract Distrigaz went with to Gasunie to ask the Dutch company to match it.

July is the traditional holiday month for both Dutch and Belgian gas executives and so Gasunie was not given much time.

According to industry sources, Gasunie, refused an earlier approach to sell direct to Belgian fertiliser producers, and so declined to earmark a special suppl yof gas for the Belgian fertiliser producers in dealing with Distrigas. It also refused to make a long term arrangement. Instead, it gave Distrigas a discount until October 1, 1984

The Belgian spot supply was to have been transported by both Ruhrgas and Gaz de France and accordingly, both will be aware of the price. Gaz de France has already asked for a lower price on its second Soviet gas contract, due to start in October. The price just won by Italy's Snam was reported in International Gas Report as $3.60 per m Btp. Ruhrgas, it is understood, met with Soyuzgateksport negotiators on price last week.

The cecond West German contract, also beginning in October 1984, calls fo rfinal price talks in the six months leading up to start up.

Gasunie negotiates new price structures with its customers every three years, and will have to settle with its customers before October knowing that Soviet negotiators will be stepping up both price and supply competition.

Boeing, Airbus bid for New Zealand order

BY DAI HAYWARD IN WELLINGTON AND MICHAEL DONNE IN LONDON

A BEHIND-THE-SCENES battle to win the order for three new Air New Zealand wide bodied jets is going on between the makers of the Airbus A-310 and the Boeing 767.

The New Zealand Government has given Air New Zealand approval to buy the three new wide-bodied jets as well as a new Boeing 747 to add to its existing fleet. The combined value of these orders is likely to exceed £150m.

It is understood Air New Zealand prefers the Boeing, but the Government sees political advantages in choosing the Anglo-German-French ircraft.

The new aircraft will be used on the Wellington-Sydney route and on Air New Zealand's Pacific services.

Salesmen for both the U.S. Boeing and Airbus Industries, headquarters on Toulouse, have been in New Zealand pushing for a deal.

Although the A-310 is claimed to have an avantage in i ts cargo-carryington capacity this is not vital to Air New Zealan's cargo needs.

Boeing feels it has an advantage because most of the Air New Zealand fleet is composed of Boeing aircraft.

Boeing also has an advantage because at least one of the new aircraft purchased will definitely be a Boeing. This gives it the opportun ity to offer a special pricing structure if it gets the order for all four aircraft.

Air New Zealand wil seek delivery of the first twin-jet in September, next year, with the rest in 1986.

Mr Norman Geary, chief executive of the airline, said: "We have been showing gooo, sound growth on both international and domestic routes for some time and it is clear that we will not be able to cope without fleet expenasion from late next year onwards."

● Swissair, the Swiss flag airline, is to spend £175m SwFr 550m) on a major- re-equipment programme involving purchase of eight new Fokker F-100 short-haul twin-enginer jet airliners, and four more McDonnell Douglas DC-9-81 twin-jets.

In addition, Swissair has taken an option on another six F-100s.

Although the F-100 order coms as a blow to British Aerospace, which had been hoping to sell its new BAe 146 regional four-engined jet airliner to Switzerland, the UK still benefits since Rolls-Royce wins a £34m order for its new Tay jet engines in the F-100s.

The F-100 is the new Fokker regional jet airliner, announced earlier this year, and Swissair is the first purchaser.

The Swissair F-100s will each seat 84 passengers, and be used on the airline's short-haul European routes, and to and from North Africa, where traffic loads do not require the bigger DC-9s.

The four additional DC-9-81s will enter service with Swissair in 1986, and 1987, replacing some of its older DC-9-32s and DC-9-51s.

Shell doubts on Brazilian alumina deal

By A.ıdrew Whidey in Rio de Janeiro

ROYAL DUTCH/SHELL is reconsidering the level of its participation in the $1.5bn Alumar project, a majorr alumina and aluminium complex at Sao Luis, on Brazil's north east coast.

The firstp hase of Alumar in which Alcoa has a 60 per cent holding and Shell 40 per cent, through its Billiton Metals subsidiary, is due onstream within the next few days. Initial capacity is set at 500,000 tonnes a year of alumina and 100,000 tonnes of aluminium.

Concern over the large gap between the government controlled domestic price of aluminium and the much higher world market price lies at the heart of the debate within Shell over whether or not it should maintain its shareholding in a planned $235m expansion of capacity at Alumar.

The inter-ministerial council responsible for the Greater Carajas programme—of which Alumar forms a big part—last week gave the go ahead for the expansion, which will double aluminium output. But the Government also said the complex would have to export 50 per cent of its initial alumina and aluminium production, and a higher percentage of second stage output.

Shell had been hoping to use its share of Alumar alumina to feed the new Valesul aluminium plant near Rio de Janeiro.

Textile joint ventures with Saudis urged

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

CLOTHING and textiles manufacturers in Britain considering the Saudi Arabian market should attempt to set up joint ventures as a first step according to a report from the clothing industry's economic development committee.*

Saudi policy is to buy locally as far as possible and Saudi tenders are allowed a 20 per cent price advantage over foreign competitors. With an import duty on goods which can otherwise be supplied locally of 20 per cent over and above the standard 4 per cent, life can be difficult for exporters.

In textile piece goods, the Little Neddy report says there is no local producer of substance but that there is considerable interest in man-made fibre production and man-made natural fibre mixes. Another area of interest is goetextiles for use in agriculture and construction.

Joint ventures in making clothes would demand careful assessment of local partners and first-class British technology. Most of the labour would have to be imported, primarily from further east, but any investment would be grant aided.

South Korea, Hong Kong and Pakistan are all strongly established suppliers to the country, providing a prompt service and are in constant touch with local buyers.

American influence is also strong, linked with the American presence in the kingdom, and many workwear items are produced to U.S. specifications.

The country is highly uniform conscious and while most military and defence contracts are subject to open tender competition is strong, with the Koreans well established. There is, however, opportunity to supply non-military uniforms to a wide variety of end users, especially in hospitals, oil-related industries, construction and hotels.

**Esport Spotlight: Saudi Arabia From NEDO Millbank, London, SW1; £3.*

UK NEWS

Service chiefs lose plea over defence reforms

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

A WHITE Paper (policy document) detailing what might prove the most radical reorganisation of the Ministry of Defence for more than two decades will be published by Mr Michael Heseltine, Defence Secretary, next week.

His reorganisation of the ministry, foreshadowed with the publication of a consultative document last March, is to go ahead despite appeals by the chiefs of the three armed services that aspects of it will be detrimental to service morale and efficiency.

The heads of the army, navy and airforce – General Sir John Stanier, Admiral Sir John Fieldhouse and Air Chief Marshal Sir Keith Williamson – told Mrs Margaret Thatcher, the Prime Minister, last week of their opposition to the proposals.

The three men, with Mr Heseltine, Field Marshal, Sir Edwin Bramall and Sir Clive Whitmore, the permanent secretary, met Mrs Thatcher for nearly an hour on Wednesday evening. During that meeting, however, and at a Cabinet meeting the next day, Mrs Thatcher is understood to have endorsed Mr Heseltine's proposals fully.

According to Defence Ministry officials, the White Paper draft is being circulated as a matter of courtesy to Cabinet ministers. They expect it to be published, unchanged, next week, probably on Wednesday or Thursday.

The key aspect of Mr Heseltine's reforms to which the service chiefs have objected is believed to be the abolition of the operational and policy staffs of the three services. They are to be transferred to a Combined Defence Staff, responsible only to the Chief of the Defence Staff and the permanent secretary, and thence to the minister himself.

In his March consultative document, Mr Heseltine made clear that his intention was greatly to strengthen the centre and diminish, if not abolish, what he and many critics of the MoD have long seen as destructive inter-service rivalry.

He is also to create a centralised Office of Management and Budget. That, and the Combined Staffs, will allocate resources "between and within service programmes" as well as prepare the detailed operational requirements for weapons systems.

The reform is expected to result in a slimmer MoD.

Mr Heseltine has also been conducting an inquiry into the 41,000 strong Procurement Executive (PE), which spends more than £7bn annually on buying arms for the forces. However, next week's White Paper is not expected to list detailed changes to the PE, officials say.

In Madrid yesterday, Mr Heseltine, after meeting European colleagues to discuss collaboration on future European fighter aircraft, sought to play down the service chiefs' opposition to the reform.

Austin Rover to build Honda version of joint executive car

BY JOHN GRIFFITHS

AUSTIN ROVER indicated yesterday that its production plans for the XX executive car being developed jointly with Honda are on a substantially larger scale than the Japanese manufacturer's.

Honda plans to build only 40,000 cars a year at its Sayama plant, Kyodo newsagency quoted officials as saying last weekend.

Austin Rover, the volume cars division of BL, the state-owned car manufacturer, would be asked to build 10,000 a year of Honda's version in addition to its own Rover version at its Cowley plant near Oxford.

About 15,000 of the Sayama-built cars would be sold in Japan. Of the 25,000 exports, 20,000 would go to the U.S., and 5,000 mainly to other markets in South-east Asia.

Of the 10,000 Cowley-built Honda models, 5,000 would be sold in the UK and the remainder sold elsewhere in the EEC.

Honda would not say how many of the Rover cars it will build at Sayama, under the manufacturing agreement signed in March, which committed the two manufacturers to building their own and their partner's cars.

Although the cars will share many components, the Honda and Rover versions will differ considerably in appearance and specification.

Austin Rover would not give details of its own production plans. The car is highly important for the company – a flagship model which, chairman Mr Harold Musgrove says, will take Austin Rover back into the U.S. market and capture a *significant slice of the European* market.

It will be a direct rival for cars such as Renault's recently launched 25 executive car. Renault plans an output of 150,000 25s a year, although it says there are no plans to sell it in the U.S.

Chemical groups' deal probed

BY ROBIN REEVES, WELSH CORRESPONDENT

THE OFFICE of Fair Trading is investigating a deal between the U.S. mining, oil and chemicals group Diamond Shamrock Corporation and the U.S. chemicals and pharmaceuticals producer Rohm and Haas, which is resulting in the closure of a South Wales chemical plant.

Rohm and Haas recently agreed to purchase Diamond Shamrock's Durolite subsidiary, which has manufacturing facilities in France, Italy and California, as well as at Pontyclun, South Wales.

Durolite produces ion exchange resins used in a variety of chemical and pharmaceutical processes, including water treatment plants and dialysis machines.

In the case of the South Wales plant, Rohm and Haas is buying only the trade name, processes and patents. According to local trade union officials a condition of the sale is that the plant and equipment at the Pontyclun site cannot be used in future for ion exchange resin production.

Instead, Rohm and Haas will be supplying the British market for strong base ion exchange resins, now produced at Pontyclun, from Durolite's French subsidiary at Choux. Rohm and Haas's existing plant at Jarrow produces weak base ion exchange resins, which have a different market.

Treasures rescued in £1m York Minster fire

FINANCIAL TIMES REPORTER

TREASURES including tapestries and silver were saved in the early hours of yesterday when fire destroyed the south transept of York Minster, one of the finest examples of early English architecture.

Damage to the building – one of Britain's best-known cathedrals which attracts 2m visitors a year – was provisionally put at more than £1m. The minster is thought to have been struck by lightning.

Hundreds of firemen fought the fire for more than three hours and managed to save the rest of the 13th century building, including the central tower.

Dr Ronald Jasper, Dean of York, said: "We saved priceless items using a human chain of police and firemen and until we were forced to leave by the smoke and flames."

Police discounted the possibility that the fire may have been started deliberately. They said they thought it had no connection with recent demonstrations over the consecration of the Right Rev David Jenkins as Bishop of Durham.

There were protests before and after the consecration because of the bishop's unconventional views on the Virgin Birth and the Resurrection.

Judge blocks sale of diaries

FINANCIAL TIMES REPORTER

A HIGH COURT judge in London yesterday blocked the planned sale at Sotheby's, the London auctioneers, of the diaries of the revolutionary fighter Che Guevara.

Mr Justice Staughton, sitting in private, made the order on the application of the Bolivian Government. The order which directs Sotheby's not to part with the diaries prevents their return to the unidentified vendor who put them up for sale.

The order remains in force pending the hearing of an action over a claim to ownership of the diaries by the Bolivian Government.

Che Guevara, who fought alongside Fidel Castro in the Cuban revolution, wrote the diaries during his final guerrilla campaign in Bolivia, where he was shot by an army firing squad in 1967.

UK NEWS

RTZ poised for success on Enterprise stake

BY IAN HARGREAVES

RIO TINTO-ZINC appeared last night to be heading for a comfortable success in its bid to acquire a further 15.1 per cent stake in the newly privatised Enterprise Oil.

Enterprise's shares fell yesterday from 103p to 101p in a weak stock market, suggesting that RTZ's maximum tender price of 110p for each partly-paid share still offers a reasonable premium, especially to underwriters who were left with more Enterprise stock than they wanted in the original flotation 13 days ago.

Stockbrokers were suggesting yesterday that the striking price for the RTZ bid when it closes at 3.30pm today will be some way below the 110p maximum. The offer is expected to be fairly heavily oversubscribed.

Some institutions, however, said they would not make a final decision on their Enterprise shareholdings until later this morning. Allowing for the possibility that the market will move in Enterprise's favour.

But with Opec ministers meeting in Vienna, their minds focused upon the weakness of the oil market, this is considered a rather long shot.

A number of institutions said yesterday, however, that they will probably continue to hold Enterprise shares for their longer-range portfolios, such as life insurance and pension funds, but will sell shares at present held in more short-term, performance-oriented portfolios.

Mr Peter Smith, an executive of Equity and Law Life Assurance, said that the letter to shareholders from Mr William Bell, Enterprise's chairman, advising them not to tender their shares to RTZ had "not added anything to our understanding of the company."

The general City of London view seems to be that since Enterprise shares are trading at a substantial discount to asset value, they represent a reasonable long-term prospect. Many believe that once RTZ has secured its 29.8 per cent stake, Enterprise shares are likely to be weak in the absence of the chance of a complete takeover, which the Government is blocking by holding a golden share.

Industry's cost pressures ease

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

INFLATIONARY pressures on industry eased in June when the price of fuel and materials fell slightly, according to official figures published yesterday.

Manufacturers selling prices rose by less than ¼ per cent in the month, so that over the latest 12 months their prices showed a rise of 6.2 per cent, little changed from the May figure.

The softening of manufacturers' input prices, in spite of the weakening of sterling since the beginning of the year, should help to moderate price rises for the next few months.

These latest figures, from the Department of Trade and Industry are closely in line with recent survey evidence from the Confederation of British Industry (CBI) that inflationary pressure in manufacturing industry remains subdued.

The last two surveys by the CBI have shown that a reduced number of companies is expecting to raise prices this summer.

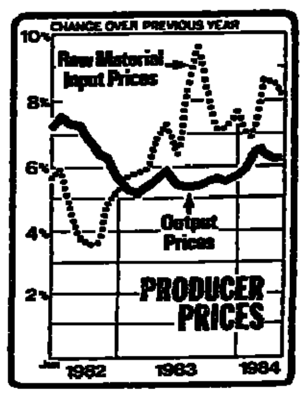
This has helped to strengthen the Treasury's view that the inflation rate for retail prices will fall from the present 5.1 per cent to an annual rate of 4½ per cent by the end of the year.

Yesterday's figures showed that the index of bought-in materials and fuels fell by 0.1 per cent between May and June to 134.2 (1980 = 100). The increase in the index over a 12 month period fell from 8.5 per cent in May to 8.2 per cent in June.

The fall in the index in June reflected a weakening of the price of fuel by 0.6 per cent. However, the price of other materials and foods rose by only 0.1 per cent in the period.

The index for the price of manufactured goods rose by 0.2 per cent in June to 132.3 (1980 = 100), with the increase spread generally

In the 12 months to June, the index rose 6.2 per cent, about the same as in May.



Americans in Britain to get USA Today

BY SUE CAMERON

THE EUROPEAN edition of USA Today – one of two national daily newspapers in the U.S. – is due to go on sale in Britain today.

The 16-page newspaper which will cost 60p in the UK, is being aimed at American tourists, expatriates and military people, and members of the European business community who have commercial or personal interests in the U.S.

USA Today will be geared to the news from back home. A prototype edition of June 27 features a cover story on the "USA's Unique Wheat Harvesters," with colour pictures and colour graphics. A second section includes baseball league news plus closing quotations from the New York Stock Exchange.

The newspaper was started in September 1982 and its circulation has climbed steadily to 1.33m in the first quarter of this year. This puts it in third place in terms of circulation after the Wall Street Journal and the New York Daily News. USA Today "confidently" expects to overtake the News later this year.

In the U.S. the newspaper has 48 pages and costs 25 cents. It is part of the Gannett group, which had a net income before tax of $337.9m (£256.4m) last year. Gannett owns 85 U.S. daily newspapers, 40 weeklies and monthlies, 13 radio stations, six TV stations and what is claimed to be the largest outdoor (billboard) advertising agency in the U.S.

Mr David Sundwall-Byers, general manager of the European edition, said the launch of USA Today had been sustained only by Gannett's huge resources.

Costs of setting up the operation had been substantial and the newspaper was not expected to start showing a profit until the first quarter of 1987.

Capital costs included $48m to provide satellite transmission to 24 print centres in the U.S., and $25m for automatic newspaper vending machines.

The European edition will be air-freighted from the U.S. Plans for European printing are being considered.

Pit talks 'progress' raises hopes of strikes settlement

BY PHILIP BASSETT AND DAVID GOODHART

AN END to the four-month-old pits strike appeared within reach last night, after three days of intensive negotiations between the National Union of Mineworkers (NUM) and the National Coal Board (NCB) were adjourned with both sides saying that real progress had been made.

There was no agreement yesterday and the talks do not resume until Wednesday next week. Meanwhile, the stoppages seem set to continue.

The NCB last night released the two sides' draft agreement for resolving the dispute.

Mr Ian MacGregor, the NCB chairman, said he was disappointed by the NUM's rejection of their draft, in the light of the real compromise it amounted to.

None the less, despite surface similarities between the two drafts, there are key differences which Mr Ned Smith, the NCB Industrial Relations Director, accepted were "more than semantic."

The first difference in wording concerns the pit closure programme itself. The NCB has conceded a re-examination of proposals put forward on March 6, while the NUM draft repeats the union's call for a full withdrawal of the closure programme.

It wants five threatened pits – in Scotland, Durham, South Yorkshire, Barnsley and Kent – all to be kept open. The NCB said they could be the subject of further consideration.

Another key difference emerged over the point at which it becomes unviable to exploit reserves. The NCB draft states: "The NCB and NUM agree that, where a comprehensive and in depth investigation by their respective mining engineers shows that a colliery has no further mineable reserves that

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are workable or which can be beneficially developed, there will be joint agreement between the board and union that such a colliery shall be deemed exhausted."

The NUM draft leaves out the key word "beneficially".

Mr MacGregor said: "We have made major concessions to allow the NUM leadership to retreat from its over-aggressive stance." But he also emphasised that the acceptance of a review of the original 4m tonne cut in capacity was primarily based on the reduction in production consequent on the strike itself. He said the Coal Board has lost 35m-40m tonnes during the strike.

Despite his stress on the NCB's pragmatism, Mr MacGregor also reiterated that the offer did not amount to a concession to the miners.

Film industry fails to win incentives

By Raymond Snoddy

THE BRITISH film industry has lost its case for special investment incentives to compensate for the decision to phase out 100 per cent capital allowances in the budget last March.

The Department of Trade and Industry is believed to have argued for a formal structure of accelerated write-offs for film investment, but the Treasury view against this has prevailed.

The Government will, however, allow the Business Expansion Scheme, under which individual investors can offset annual investment of up to £40,000 in unquoted companies against tax, to be used for film financing.

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TECHNOLOGY

EDITED BY ALAN CANE

ENGINE ASSEMBLY YIELDS TO AUTOMATION

Robots which can put it all together

BY GEOFFREY CHARLISH

INTEREST IN the use of robots continues to grow in the automotive industry, not just for welding and painting, but in the much more demanding area of engine assembly.

In the UK, for example, a two-year project to automate cylinder head assembly at Austin Rover recently went to Marwin Production Machines under a contract worth £800,000. Based on early work at Warwick University and employing Unimation robots, the system will be able to assemble a number of different types of cylinder head and is planned to go into action in January 1985.

Also just announced is a system for cylinder head assembly from Fairey Automation. This is for "a large diesel engine maker" and is scheduled to come into action in September.

In Sweden, however, Saab Scania has been using six ASEA robots to assemble heads for its petrol engines for some months. It is about to add another three, which will bring the expenditure on robot assembly to about SKr 23m (£2m). Only two shifts of 70 people per shift are used in assembly. Yet, the company's annual production in passenger car engines alone is over 100,000.

Production engineers at the Södertälje plant, just south of Stockholm, were faced with tooling up for the new 16 valve, twin-camshaft turbo engine. New equipment would have been needed to assemble the valve gear in any event, so the engineers opted for a system based on robots and advanced peripheral equipment. The system can deal with old and new types of head.

An ASEA robot assembles engine flywheels at the Saab Scania engine plant

At the first workstation, the head block is inverted to allow the valves to be inserted manually. By contrast, the more recently designed Fairey system in the UK uses a robot with force sensing and automatic rejection of out-of-limit valves.

After a second inversion, the block moves to the second station where an ASEA IRB6 instals the valve spring assembly. The units, consisting of bottom and top washers and the spring itself, are separately assembled and complete units are inserted by the robot.

The next task, to compress the spring and secure it with collets, is particularly demanding as considerable force is needed. Saab chose the big ASEA IRB60 which proved able to pick up the 10 gm collets, compress the spring with a special tool, and let the collets drop into place. A measuring unit on the robot arm then checks for correct installation, arranging for diversion off the line if there is a problem. Leak testing follows.

From this point, the engine is built up by a combination of people and robots. Such items as dowels, sleeves, oil filters, gaskets and timing chain are fitted manually. Then, another IRB6 robot picks and presents the end plate and timing cover, applying and tightening the 26 bolts of six different types to specified torques.

Further downstream, another IRB6 picks up 10 cylinder head bolts in turn from an elevator feeder and instals them to precise torque values using a microprocessor-controlled ten-spindle nut runner.

Later, another robot instals the engine's flywheel. Previously, this operation was performed manually and involved heavy lifting work. Now, the flywheels arrive directly from the supplier on pallets and are placed by a robot on to an orientation station to identify the position of the timing pin. This done, the robot picks up the flywheel again, in its three jaw gripper and precisely mates it with a dowel on the end of the crankshaft. Then it applies seven bolts and torques them.

ANIMAL HUSBANDRY

Why farmers shoot cattle in the mouth

CATTLE AND sheep will become healthier if they supplement the grass in their diet with large chunks of glass. That is the thinking of the Wellcome Foundation, which is trying to tempt the animals with pellets of the material several centimetres long which farmers shoot into the creatures' stomachs with a gun.

The strategy is not so crazy as it may seem—the pellets, or boluses, contain trace elements of cobalt, selenium and copper which protect the animals from disease and make them more fertile.

The glass comes in a special form that dissolves slowly in the stomach over a year. The cylindrical boluses, which cost about £2 each, are shaped so that they slide down the animal's gullet from a gun positioned in the mouth.

Three researchers at the University of Leeds devised the bolus in work that started in the late 1970s. Dr Stewart Telfer and Dr George Zervas, who are animal nutritionists, and Mr Peter Knott, who is in the university's ceramics department, then took their ideas to Chance Pilkington, a glass company whose best known products are camera and spectacle lenses.

The trio was helped in this by the university's marketing company, University of Leeds Industrial Services.

Chance Pilkington built a new production unit at its factory in St Asaph, Clwyd, and arranged for the Wellcome Foundation to sell the pellets.

The structure of the glass for the boluses is quite different to that of ordinary glass, which contains about 65 per cent silica. The material administered to the animals comprises mainly sodium, phosphate, calcium and magnesium oxides, together with the three trace elements.

All are constituents that occur naturally in the diet of farm animals, but sometimes the cow or sheep fails to get enough of one of the trace elements, due to deficiencies in the soil where it happens to be feeding.

Cobalt protects the creature against anaemia, while selenium relieves stiff joints, pneumonia in calves and infertility. An animal with plenty of copper in its diet, meanwhile, will be unlikely to suffer from lesions in the legs that can lead to lameness.

PETER MARSH

The video disc seems set to spin and spin

Video & Film

BY JOHN CHITTOCK

WHEN A pillar of the establishment as orthodox as the Inland Revenue decides to use video discs to communicate with the public, a breakthrough is signalled for this berated medium. The application, named TaxFax, can be seen in Nottingham's main shopping precinct this week, following a recent trial in Newcastle.

Created for the Inland Revenue by the Central Office of Information, TaxFax allows members of the public to get answers to their tax questions without disclosing personal information to anyone other than a talking video head on a television screen. The COI believes that this application could be very popular in factories where the workforce do not have easy access to a tax office, and might shun it anyway.

TaxFax uses a LaserVision video disc player linked to a specially designed unit which incorporates a TV monitor, built-in keyboards and large "Yes" and "No" buttons. A low capacity microchip provides some computer facility so that simple calculations can be performed by the unit. The "talking head" (a friendly remale tax official) asks the questions—inviting the viewer to press either the yes or no buttons or to enter financial information on the alpha-numeric keypad.

Apart from generalised answers displayed on the TV screen, a hard copy print-out of the financial calculations is fed out of the unit for the viewer to tear off and keep. Thus anyone can check their tax liabilities or their weekly pay slip deductions without any loss of confidence of privacy.

TaxFax is still in a development phase but it is just one of literally dozens of new applications emerging in recent weeks for the video disc. In France, for example, the Ministry of Transport has just started to put on the video discs a massive photographic survey of the roads and highways of France.

Originally developed as a conventional photographic archive, the Ministry has been making a systematic record of 20,000 kilometres of French roads — with wide angle views taken every 10 metres both ahead and vertically downwards (to record general information and conditions of the road surfaces). This archive is now being transferred, in part, to LaserVision discs — which will yield rapid access to the visual records, amenable to computerised processing.

Numerous other archival applications are now a reality, such as the U.S. National Gallery of Art's video disc containing 1,645 still frames and a tour of the museum. Ideas such as this one bring the visual index attractions of the disc directly to the attention of the consumer — which this column has often argued is the bridge that can lead to public recognition of the medium.

Until now, consumer sales of video disc players have been a flop. In a recent survey, even dealers remained cynical about its prospects. But most of this failure is attributable to widespread ignorance about the capabilities of the medium as a consumer machine — and to the absence of software appropriate to these capabilities.

Even that situation is now, however, changing. In Japan, where JVC have launched the VHD system in consumer markets, 637 titles are now available — with an end-year target of 1,000 titles. In the 12 months since its launch, although only 80,000 players have been bought by Japanese viewers, the sale of 1.5m discs has actually overtaken CD audio disc sales by 100,000.

The figures are small alongside video cassette recorder statistics, but the breakthrough now begins to look inevitable. In the UK, Thorn EMI has just published a study by the North East London Polytechnic into an experimental use of VHS players in four London primary schools. Pupils were given free access to players and to Thorn EMI educational programmes on discs — all of which allow for interactive use, controlled at will by the children.

The results of this small pilot experiment suggest it has been an outstanding success. Its author, Colin Mably of the NELP, argues: "The time is right for those groups involved in education . . . to shake off their caution and invest both time and finance into the development of interactive video for mainstream education." Teachers participating in the experiment are no less positive—all expressed the firm conviction that the video disc "has a very bright future" subject only to restraints imposed by the economic recession.

Another bridge into the consumer market has been built by Longman and Grolier — two publishing groups who have co-operated in the production of the first disc for a proposed electronic encyclopedia. Made in a remarkable 2½ months by New Media Productions, this pilot disc is titled *The Human Body*. Aimed principally at children, it provides a rich maze of moving pictures, stills and captions on everything from brains to bones. Using the keypad and index pages, adults as well as children will become immersed in it for hours — especially as the creative impact of the film-maker has not been neglected as happens in some video discs.

The electronic encyclopedia is based on the Philips LaserVision system and again underlines how consumer promotion of this format continues to be exploited more intelligently by the programme makers than by Philips themselves. News of these applications reaches the press more often via enthusiastic independent producers than from the developers of the hardware.

Most producers seem agreed that Thorn EMI with VHD is making the more impressive efforts in carving out a future for the video disc. And the Japanese software output of VHD titles — 637 to date in just over one year against Philips' 420 in two years — shows that VHD has its priorities right. Yet most of the industry nonetheless believes more firmly in LaserVision than VHD — if only because the technology has more potential.

Either way, the video disc has arrived. It is establishing itself worldwide in specialist applications, and as these now begin to reach the public, consumers at last have a chance to discover why the video disc is different from the videocassette recorder. As that happens, perhaps a new video boom will arrive — outstripping the personal computer market in size and real relevance to the consumer and becoming as permanent to our culture as the book.

Maintenance

Underground leaks

BREAKS IN underground pipes from two to 24 inches diameter can be located and repaired using a service offered by AMK Pipe Technology of Northwich, Cheshire (0606 77234).

AMK operates self-contained mobile pipe repair vehicles which incorporate pipe cleaning equipment, TV monitors and cameras, video recorder, resin tanks, pumps and a special injection head.

Clearance of blockages is accomplished by drilling, pipe cutting or high pressure water jetting. Then, the travelling head is passed through the pipe to the break (located by a sonar method). Amkrete resin is used to seal off and make a permanent repair; the resin also penetrates into voids outside the pipe to restore structural stability. The head has a smoothing action on the inside surface, preventing a rough finish.

Concrete, earthenware, plastic, cast iron, steel and fibre-based pipes can be dealt with and the equipment will operate at up to 150 yards from an access point.

Software

Accountancy

SAGESOFT, a software company of Newcastle upon Tyne, is selling a £20 version of its £375 accounting program. The company hopes this will appeal to customers who want to test the software on their own computers before committing themselves to the full system.

Cable tester

Trend Communications has launched a battery powered, solid state scanner designed to test communications cables.

It is pocket sized and capable of testing, the maker says, any configuration of cables. It costs £165, exclusive of VAT, and more details can be had on 06285 24977.

THE ARTS

Tate Gallery/William Packer

Mr Morphet's Hard Won Image

"My Parents," by David Hockney

All images in painting and sculpture are hard-won, or at least they are if the artist aspires to anything more than simple technical demonstration. But quite how we characterise that 'hard-won' is still a problem. Common-sense tells us that worthy endeavour of itself will never do quite enough to achieve true art, and yet no mastery is or ever was effortless. *The art that conceals art* is still art for all that; and the image is hard-won indeed if, to adapt Whistler, the work of a day is founded on the knowledge of a lifetime.

It would be a pity, therefore, if 'The Hard-Won Image,' which is the title of Richard Morphet's on the whole admirable and certainly timely compilation at the *Tate (until September 9)*, should take on too thoughtlessly narrow a reading, something rather more than just the snappy label it is. But the danger is real, and, *pace* the author and the anxious hope he expresses in his introductory essay, it is not beside the point to say as much. For hsi exhibition is devoted to work of a very particular kind, and all the more remarkable when examined in the light of contemporary international fashion and preoccupation, and our own idea of what now constitutes the *avant garde*. It is, after all, a sequel to his colleague, Michael Compton's 'New Art,' that filled the same rooms last summer, and in its turn can hardly be seen anything but a polemic of a similar kind. Mr Morphet's erudition, and the generous catholicity of his interest, are not in question; yet here he might well be taken as saying, his disclaimers notwithstanding, that it is with work of this kind alone that the true path lies.

So much for the *caveat*: and with the subtitle, with its rather more useful gloss—"Traditional Method and Subject in Recent British Art"—we come to the actual polemic, and indeed to an important and entirely sustainable argument. "It is," says Mr Morphet, "... both false and dangerous to assume that the art of a period is adequaltely represented by the work of its *avant garde* alone. The contention of this exhibition is that the finest art of a more traditional and less selfconsciously innovatory kind not only has a place in the art of its period but that, *even if not alone, it lies actually at its centre*. The claims ... are made not *against* the art which is currently causing the greatest sensation, but in *favour* of art of distinctive achievement, whatever its idiom ..." Hear, hear! It is not at all a new argument, but it is always comforting to know one's allies, and very good indeed to hear the voice of *what we might call the Radical Reaction* raised in such a quarter, and putting the case so sensibly, and firmly.

"The modes studied here have been established a long time, for the exhibition is restricted to painting on a flat surface and to carved and cast sculpture. Abstract art is excluded because the presence of the representational image is at the heart of this exhibition." So there it is, a show of work made by British artists over the last 30 years or so, but with the emphasis on the last ten, and all dependening, if only for its primary reference and imaginative stimulus, upon the observed world.

Perhaps he protests just a shade too much, though his enthusiasm is understandable. Mr Morphet speaks of the revival of figuration that has taken place in recent years, but *the phrase has more resonance* than meaning, the mere art-world-speak of the moment. He knows well enough that figuration never went away, let alone was ever so morimund as to need positive revival; and it is a curious and extremely important feature of his show that the Reaction it represents is in fact no reaction at all. The *development of abstraction was* historically inevitable, and it was new, and, of course, it was exciting: and we look to the great modernists and we find Cezanne, Matisse, Picasso, Braque, Leger, Bonnard, Ernst, Moore, Giacometti . . . Thirty years ago the abstract expressionism of New York hit us like a tidal wave, and who of our artists were swept off their feet: *Bacon, Sutherland, Freud*, Auerbach, Coldstream, Hockney, Blake . . . ?

If this exhibition does nothing else, it explodes the myth, and it does so most effectively not just by the quality of so much of the more recent work, but by its historical spread. This supposedly arriere-garde show is no exercise in dusting *out an Academy cupboard*, even though it makes the fair point that too many Academicians, and a few Sladeites besides, have been too long disregarded—no excuses needed here, for example, for the inclusion of Weight, de Grey, Greenham, Symons. But it is the more overtly testing figuration, founded in expressionism, that dominates the show; and given the weight of commercial pressure now exerted by fashionable dealing, in Italy and New York especially, how good it is to see not only how *wonderfully well such painters* as Freud and Auerbach, Kossoff, younger artists like John Bellany, are painting now, but how well some of them, Auerbach and Kossoff, most particularly, and others such as Andrews and Herman, were painting almost 30 years ago.

I am bound to have some quarrel with the particular *selection, as who could not who* has any sympathy with such a theme and its material? The presence of Bacon is inescapable, and yet it seems perverse not to inclde something of his of the fifties, when he was at his most powerful and influential, the Von Gogh that is already in the collection perhaps, to put besire this more decorative later stuff. The Gowing and the Hamilton would seem to nod more at received reputation than at actual achievement, and add little; and the most recent Hockney *seems insubstantial against the* more solid study of his parents, a premature recognition of a new direction taken by a serious artist. Some minor figures puzzle one, rather; and there arethe omissions, Tindle conspicuous, and Scott, and what a pity that Edward Middleditch should appear only in his portrait by John Wonnacott, outside Norwich School of Art. A case could certainly have been made for some token showing of that fifties group—Greaves, Coker, Jack Smith.

And yet to say all this is not to carp, for whatever particular misgivings, the collective strength and quality of the work comes through, and with it real surprises and the most positive *pleasures. The long wall of* Kossoff in the large room is an astonishingly authoritative display of work of the highest order, and Auerbach's way to the Studio is the most ravishing single image in the show. Uglow's two great nudes, Andrews' Deer Park—the list goes on. But I shall remember with particular pleasure the *first room of all—Cecil Collins* to the right, mystically ebullient and forceful; Josef Herman to the left, with monumental children; and aherad, Moore's great carved reclining figure, and eight of the most tender of his late drawings, heads that have yet the sculptural certainty of his life drawings of 60 years ago.

Borodin Quartet/Wigmore Hall

Dominic Gill

Had the Borodin Quartet remained intact with all four of its original members, they would today be the elder statesmen in their field—for they first appeared in public one year even before the Amadeus, in 1946. A few months before their 30th anniversary, however, in 1976, the Borodin's two violinists defected ("emigrated" is the sober word) to Holland and thence to the U.S.

That should, on the face of it, have marked the end of one of our age's great string quartets But it was their, and our astonishing good fortune to discover in Mikhail Kopelman and Andrei Abramankov two much younger violinists who were not merely technically and musicaly the equals of those they replaced, but also perfectly attend to the ensemble's style. The sold-out house who greeted their re-formed London "debut" on Saturday night could justly acclaim the Borodin still, with a standing ovation, as one of the world's great string quartets—possibly, indeed, the greatest, fresher and more exact in their interpretation, more thrilling in their technical perfection, than they ever were.

It was one of those memorable recitals, of rare and magical quality, during which no player seemed able to put a bow or a finger wrong. The range of sonority, most immediately striking, is immense: from the lushest chamber-orchestral swell (Kopelman and Abramenkov playing together make a sound almost as large and rich as an entire string section) to a wonderful, pure non vibrato blend. The Borodin are in fact one of the few great quarters still playing and at the height of their powers who are old-fashioned enough not to submerge their music-making in a sea of vibrato, but is it selectively to precise expressive ends. Every page of their recital was an object lesson not so much in how to use vibrato, as how to not use it where its use is plainly wrong.

Their finale especially of the second quartet of their namesake Alexander Borodin was a marvel of subtle tonal interplay: delicate web of vibrato and *non vibrato*, deftly spun, then vanishing like smoke—a mirror-play of line and colour, the purest exhilaration. In the darkness of Shostakovich's eighth quartet the Borodin found a myriad sombre reflections, cool depths, sudden sparks in dying embers. As the final Largo ended, their concentration, and our silence, was so intense that several seconds went by before anyone dared to applaud. Their account of Beethoven's op.132 after the interval was miraculous: a distillation of infinite compassion and grace and lyrical rejoicing. Words cannot touch it: enough to say that the Borodin return to London next February, and must on no account be missed.

Exhibition extended

The Arts Council's exhibition *1066 English Romanesque Art* at the Hayward Gallery on *London's South Bank has been* extended to July 22, giving the public a further two weeks beyond the previous closing date of July 8 to see the exhibition.

Bracknell Jazz Festival

Kevin Henriques

Since its inception in 1975 the Bracknell Jazz Festival, held always during a summer weekend at the arts centre at South *Hill Park, Bracknell*, has become generally accepted as Britain's premier event of its kind. There are many reasons why, not least perhaps the fact it has steadfastly refused to become an unwieldly, uncomfortable endurance test like others in Europe.

Among those heading the first festival were mainstreamers such as Alex Welsh, George Chisholm and Wild Bill Davison. Since then Bracknell as developed a much more contemporary character and now gives most exposure to what can be accurately described as the sharp end of the music. Certainly this was true last Saturday at least when, at the three venues used, most of the sounds were more to the taste of younger listeners rather than those long in the jazz tooth who must have been severely disturbed when the bass duo of Stanley Clarke and Miroslav Vitous utilised a disco-type automatic drummer to provide the pulse for their opening number.

Admittedly matters improved as the two virtuosi got deeper into their set and showed extensive imagination in programming and playing—Vitous even moving to piano behind Clarke on bass guitar.

But both concentrated on bass guitar rather than the upright, acoustic kind. Compensation came when the Czech for his solo feature in which for bsl solo feature in which both his arco and pizzicato playing were exquisite.

The work commissioned specially for the festival this year was by saxist Trevor Watts. Titled *Mister Sunshine* it employed the wondrous miscellany of instruments including much percussion, two violins, saxaphones and three voices. A long, rather rambling piece beginning with a heavily repeated figure which eventually came to a crescendo was followed by a long drum solo; it then came to musical life with several changes of tempo. Eventually the almost statutory excursions into pandemonium ensured with *much shrieking from singer* Maggie Nicols. Maybe the promised broadcast on BBC Radio 3 later this year will reveal hidden depths in the writing.

Both these events were held in the capacious marquee but smaller-scale sessions took place in the cellar bar in South Hill Park House and in the newly opened Wilde Theatre where among the *sounds to be* listened to and not enjoyed were the fierce onslaught of saxist Elton Dean and his quintet. One member of the audience standing at the back of the auditorium seemed to be voicing his opinion of the proceedings when, without warning or reason, he launched into a spasm of pained wailing. On *closer inspection the voice* turned out to belong to one of Britain's leading musicians performing the following day.

Happily the day's musical sounds came to a genuinely enjoyable and approachable climax with the ten-piece band of keyboardist/composer Carla Bley. Playing her own compositions as well as arrangements of other people's, the band interpreted them with unflagging zest and skill. With a trombone, tuba and french horn the band evinces a depth belying its numbers.

Hidden Grin/ICA, Vulture Culture/Henley

Martin Hoyle

Hidden Grin is the offspring of the Rational Theatre group and takes its name from its first show, launched in Islington and now groomed for an ICA run. An avowed horror story, the plot tells of malign twins who engineer the ruin of their despised parents (themselves not immediate candidates for *Mr and Mrs*, to judge from their venomous loathing for each other). Incest — the twins are in love; the boy seduces his mother to destroy her — is a natural element of this quietly nightmarish world whose claustrophobic murkiness and sinister humour, not to mention such pointed sound effects as dogs barking and running water, recall the film *Eraserhead*.

Spare and unpretentious dialogue marks a welcome trend in fringe theatre, and such hoary devices as strobe lighting are used with restraint: the flickeringly illuminated birth of the terrible twins, for example, shows their writhing bodies suspended upside-down from the flies. Alan Brown who plays the boy provides the evocative soundtrack interlaced with haunting piano music. Though just right to look at, the cast of four could point their spoken lines more. Sarah Sankey's healthy blond schoolgirlishness, as icy and unplumbed as a crevasse, is chilling as the incestuous sister: Sieglinde recreated by Nietzsche.

*

Following their recent incursion into opera, Lumière and Son unveiled *Vulture Culture*, what can only be termed a ballet-oratorio, for the closing gala of the Henley Festival. The Thames backdrop, busy with prettily lit and sometimes philistinely hooting, boats, was perfect; the audience, already épaté by Andrew Logan's sculptures, less so.

Frank Millward's score for this allegory of baby turtles brutalised by humanity is eclectic, tuneful and unfailingly attractive, flirting with styles as diverse as madrigals and Sullivan but remaining individual. Four groups of dancers, each distinctively characterised in *Hilary Westlake's production*, make for visually striking moments. A uniformed phalanx combines the military with the precious and sports the traditional *Mikado*-type scrolled headgear which here looks suspiciously like violin bridges; sure enough, the programme note equates the dancers with the sections of the orchestra. The brass are yobbishly violent vulgarians, garish in yellow and black, the men with padded bellies and shoulders, their birds in slit skirts, projecting hugely developed bosoms.

Sports enthusiasts wielding bats and boxing gloves, among them monstrously colliding examples of inflated obesity, represent percussion; and woodwind is personified by a parade of exquisites, black and white stripes in recurrent motif in their blazers, boaters and gowns, who make fastidious *moues* and arch declarations of superiority—rather near the knuckle for Henley, I thought. The off-stage singers (excellent) switch from wordless chant to David Gale's lyrics which seem to emulate Colette's use of evocative verbal snatches in characterising the exotics of *L'Enfant et les Sortilèges*. The thuggish brass section, for instance, has a grotesque knees-*up in which I thought I detected* such impressionistic exchanges as "Listen Curly, what about the silver?" "Stick it in yer bathroom." The show goes to Magdalen Bridge, Oxford, next; but not as a lost cause.

New MusICA/ICA

Dominic Gill

It's no secret that business sponsorship is interested by and *large in supporting the safe*, the prestigious, the securely founded. There is no mystery to the equation. Business money for the arts, deriving in the main from advertising budgets, is not notably altruistic: it does not care greatly for risks, and wishes to secure as far as possible a measureable return. Under private patronage, opera and Beethoven symphony cycles may flourish; but new and adventurous experiment, the still unsmart, unfashionable seeeds of the future, which necessarily involve the largest risks, will quickly find itself left out in the cold.

Adrian Jack's sixth MusICA series at the ICA is therefore doubly remarkable. It remains London's only concert series wholly committed to new experimental work; and its rescue from extinction for lack of funds last year by Diners Club must rank as one of the most imaginative and enterprising acts of private sponsorship of the last decade.

There are 12 concerts to the season this year, ten at the ICA and two in the unusual venue of the Reform Club. Jack's selection is as usual catholic, eclectic and partisan: there is no consistency, no theme, except a commitment to the inventive, original and surprising. The opening concert on Sunday night presented the British premieres of a piece each by the Hungarian composers Zoltan Jeney and Laszlo Vidovsky (whose work I have often reported on this page from Budapest's annual festival of contemporary music). The performers were the instrumental and vocal group Circle.

Jeney's To *Apollo* is "system" music of a sort; but whereas Steve Reich and Philip Glass rely on small systematic changes of polyphony, rhythm and texture, Jeney's system is far more austere and uncompromising—a monodic cell is sung and played in unison by six voices with cor anglais and electric organ, endlessly repeated, like a bell-ringing sequence, with tiny changes. It has a kind of manic, intriguing insistence; its very length, nearly half an hour, and the intolerable heat of the ICA theatre, both added to the piquancy.

Vidovsky's one-act pastiche opera *Narcissus and Echo* made a vivid contrast—a brilliant, exuberant pot pourri of 19th-century manners that manages to evoke, without once actually quoting, the precise shades of Wagner, Weill, Schubert, Offenbach, Bernstein, gypsy bands, Johann Strauss. There is a fond, and exceedingly accurate, Liszt cadenza for piano; and more than one poker-faced send-up of Lieder cliche. The performances were decent; but both suffered to some degree from *the lack of extra rehearsal time* that new and unfamiliar music inevitably demands (and there's no answer to *that* equation except still more funds).

Dutch painting in Berlin

Gillian Darley

Berlin is playing host to an exhibition of Dutch 17th century genre painting, en route from Philadelphia to the Royal Academy, where it can be seen from September 7 until November 18. With scarcely a second-rate work, the exhibition will be further enriched when it comes to London (courtesy of American Express, as part of *their cultural underwriting* programme) by a number of pictures from the Queen's Collection.

Nevertheless, a number of paintings from the Berlin show will not make the journey here. These include the crystalline *Woman Reading* by Pieter Janssens Elinga, a follower of de Hooch (and a painting which seems just a step away from *the early 19th century German* and Scandinavian genre painters) and the thoroughly uproarious *Beware of Luxury* (need one say more?), by Jan Steen. These two paintings draw in the boundaries of the subject matter which stretched across a wide swathe of existence, from the silken bourgeosie to the villager at the kermis.

The Berlin exhibition, hung in an appropriately domestic fashion in the Gëmaldegalerie, part of that treasure-house, the Dahlem museum complex in West Berlin, is a full summary of the painters' concerns and styles, including the strangely confrontational works of the Caravaggesque painters, notably Honthurst. On the *whole the subject matter is* everyday business, but yet not quite. Those interiors, room upon room, opening upon chamber-like gardens beyond, are not quite the comfortable renderings of reality that they seem at first glance. The spaces are a little disquieting, and, for that matter, the people too. Terborch's woman caught in the mirror intimates concerns far outside that room. The servants play up the ambiguity: social barriers are built on shifting sands.

In the roustabout scenes, by van Ostade, Brouwer or Vinckboons, the hectic replaces the still, the crude the discreet. These paintings whether set in affluent mercantile surround*ings, or rustic hovel, appealed* to a wide contemporary buying public and, more interestingly, to a particular strand of 19th century (and, in the case of America, 20th century) taste. So it seems inexplicable that within the vast catalogue no space was found for an essay on that subject.

There is one aspect of the *exhibition that gives considerable* cause for worry. Quite a number of the paintings are cleaned and varnished to a finish which precludes any sense of their age or original quality. *To compare the works* from the major European collections with some others (it seems invidious to specify which, but they are unmistakable) is a salutory experience.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 6–12

Opera and Ballet

VIENNA

Francesco Conti's 1724 opera David, performed by Musica Antiqua Ensemble. Musical director Bernhard Klebel: Universitätkirche, Dr. Ignaz-Seipel Platz. (Thur). (34 06 90).

The Merry Widow (Mon), Die Fledermaus (Wed), conducted by Rudolf Bibl continue as part of the Volksoper new summer season.

LONDON

Royal Opera House, Covent Garden: The Royal Ballet continues into the second week of its dancing-everyday season.

Coliseum: The Dance Theatre of Harlem opens a three-week visit on Monday, with mixed programmes and lots of enthusiam.

ITALY

Milan, Teatro all Scala: Donizetti's Lucia del Lammermoor, conducted by Guiseppe Patane, directed by Pier Luigi Pizzi, who also designed the scenery, and costumes – with the help of Ottavio and Rosita Missoni. Sung by Edita Gruberova, Luciana Serra and Walter Gullino. (Mon, Tue, Thur). (80 91 26).

Spoleto: The Two World's Festival draws to a close this week with Richard Strauss' Ariadne auf Naxos conducted by Christian Badea, Teatro Nuovo (Sun, Wed) and the Stuttgart Ballet dancing Eugene Onegin (Fri, Sat, Sun): also l'Ormindo by Francesco Cavalli with the Chamber Opera Theatre of New York at the Teatro Caio Melisso, and at the Teatro Romano Antonio Gades is dancing in his Flamenco version of Carmen (Tue, Wed, Thur).

Venice, Gran Teatro la Fenice: Arabella by Richard Strauss, conducted by Siegfried Kohler; a new production by the Hessisches Staatstheater of Wiesbaden (Sat). Also a new production of Cinderella by Roberto Trinchero (choreography by Nikolai Volkov to Prokofiev's music) with the Corps de Ballet and Orchestra of the Hessisches Staatstheater of Wiesbaden. (Fri, Sun). (25 191).

Verona, Arena di Verona: Tosca (Sat). (28 151).

WEST GERMANY

Berlin, Deutsche Oper: Premiering this month was a new production of Simon Boccanegra, produced by Gian Carlo del Monaco. It has Renato Bruson in the title role and Mara Zampieri as Amelia. Britten's Midsummer Night's Dream is a Winfried Bauernfeind production with Catherine Gayer and David Knutson in the leading parts. Götz Friedrich's production of Orpheus in der Unterwelt received much praise.

Frankfurt, Opera: La Boheme is produced by the film director Volker Schlöndorff and has Ilona Tokody and Peter Kelen in the main roles. This week's highlight is an Opera concert with music by Massenet, Bellini, Verdi, Puccini and J. Strauss starring Ileana Cotrubas, which brings the season to a close.

Stuttgart, Württembergische Staatsoper: Philip Glass' opera 'Echnaton,' composed specially for the Stuttgart opera and premiered on March 24, is produced by Achim Freyer and has counter tenor Paul Esswood outstanding in a cast of high standard. Further performances are Henze's rarely played 'Don Quichotte,' and Ariadne auf Naxos with Maria de Francesca-Cavazza in the title role. Rigoletto, sung in Italian, has Georgi Tscholakow, Raymond Wolansky and Inga Neilsen in the cast.

Munich, Bayerische Staatsoper: Munich's annual opera festival, running from July 4 to July 31, is staged here. The second week of performances opens with Fidelio, with Rene Kollo and Hildegard Behrens. La Clemenza di Tito is a Jean Pierre Ponnelle production and brings together Rosalind Plowright and Brigitte Fassbaender. Pfitzner's rarely played Palestrina has Peter Schreier and Kurt Moll in the main roles. Der Barbier von Bagdad, newly produced by Otto Schenk has Lucia Popp, Claes H. Ahnsjo and Kurt Moll. Der Rosenkavalier has Barbara Bonney as Sophie and Brigitte Fassbaender as Octavian.

Tanglewood season

Tanglewood, the summer home of the Boston Symphony in the heart of *the beautiful Berkshire mountains, spreads its wings this year with appearances* by the Cleveland Orchestra and a fully-staged production of the Berlioz opera, Beatrice and Benedict.

The nine-week season will include 25 symphonic concerts conducted by the Boston Symphony's Music Director Seiji Ozawa as well as guest conductors Eugene Ormandy, Christoph Eschenbach, Michael Tilson Thomas, Charles Dutoit, Leonard Slatkin and Kurt Masur. Soloists performing with the orchestra will include singers Jessye Norman and David Rendell, violinists Isaac Stern and Itzhak Perlman, and pianists Emanuel Ax and Leon Fleisher.

The Cleveland Orchestra will arrive in mid-August while the Boston Symphony take off for a visit of European summer music festivals. Conducted by Christoph von Dohnanyi, the Cleveland Orchestra will appear with flautist Jean-Pierre Rampal in a programme of Mozart and Beethoven, with violinist Shlomo Mintz in a programme of Ruggles, Lalo and Dvorak, and with Emanuel Ax in a programme of Mendelssohn and Brahms.

Salzburg Festival

Austria's most famous festival opens on July 28 and includes Verdi's Macbeth and Richard Strauss' Rosenkavalier, as well as this *year's Mozart offerings: Idomeneo*, Cosi fan tutte and The Magic Flute. The Vienna Philharmonic will be playing, conducted by James Levine, Ricardo Muti, Claudio Abbado *and Herbert von Karajan*.

Alfred Brendel, Dietrich Fischer-Dieskau and Barry Tuckwell will perform in orchestral concerts. Other participants include Leontyne Price, *Pinchas Zuckerman* and the Sofia National Opera Choir.

Concerts of sacred music and street theatre are also part of the *festival. Tel. 06 62 42 541.*

Lancia likely to miss sales target

By Kenneth Gooding, Motor Industry Correspondent

THE IMPORT of Lancia cars to Britain from Fiat of Italy is not going as well as was hoped by the Heron Corporation which acquired the concession last year.

Mr Gerald Ronson, the car enthusiast who heads Heron, one of Britain's biggest private companies, predicted that the new business would be profitable in its second year of operation.

Mr John Turner, managing director of Lancar, the import company, said, however, that that target would not be achieved. "The task has been more difficult, the road longer, than we thought," he said.

Mr Turner estimates that Lancar, into which Heron will invest between £6m and £10m over three years and will sell between 2,500 and 3,000 Lancia cars this year. That compares with 3,461 last year and the 1983 target of at least 5,000.

He insists, that Lancar has made progress in re-establishing the Lancia marque in Britain.

Lancia sales reached a peak of 11,764 in 1978 but came tumbling down, particularly after a much-publicised recall of Lancia Beta models in 1980 because of rust problems in some cars.

Mr Turner maintains that Lancar has stopped the overt discounting of Lancia cars by dealers because the company no longer gives special financial support to enable them to continue to do so.

This helped used-car values to improve, but it had an inevitable adverse effect on market share at a time when many major car manufacturers were offering extra discounts and other incentives to their dealers.

Lancar has also dealt with one of the problems which caused considerable customer criticism in the past. Spare parts availability has risen to over 90 per cent against 60 to 70 per cent previously.

Lancar has gradually been rationalising the range of cars available in the UK and re-positioning the brand in the market. "We want each model to be among the best in its sector and want each one to be perceived as a little bit special", Mr Turner said.

Newspaper group claims damages against union

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

PUNITIVE DAMAGES were claimed against the print union, the National Graphical Association (NGA) yesterday over its bitterly fought closed-shop campaign against Mr Eddy Shah's Messenger newspapers group last year.

The High Court in Manchester was told that between July and December the group had to defend its business against disruption, its premises against siege and its employees against harassment and intimidation by the print union and its supporters.

All that had stemmed from the determination of senior NGA officials to maintain a closed shop in the group, Mr Christopher Rose, QC, for the Messenger Group, told Mr Justice Caulfield.

During the dispute the union was fined a total of £675,000 for its contempt of court in defying orders to stop illegal picketing and disrupting the group's business.

Yesterday the group claimed £73,653 damages to compensate it for the quantifiable losses it suffered through the dispute, and also "aggravated and exemplary" – in effect, punitive – damages.

In addition it claimed permanent injunctions restraining the union from interfering with its business.

The NGA denied liability for damages and claimed legal immunity for its actions.

Mr Rose said no such immunity existed. There was only a limit of £250,000 on the amount of damages recoverable from the union under section 16 of the 1982 Employment Act.

It is the first time an employer has taken advantage of the opportunity given by the Government's employment legislation to claim damages from a trade union.

Mr Rose said the NGA had striven to halt the group's business in three ways:

- By massive, intimidatory, illegal picketing of the group's premises at Stockport, Bury and Warrington.
- By trying to induce customers or potential customers not to advertise in the group's five free newspapers.
- By trying to disrupt the business by placing bogus advertisements and by upsetting staff by making offensive telephone calls.

However desirable a closed shop might have appeared to the NGA, it had been unlawful to try to impose one, or union membership, on employees who did not wish to belong, Mr Rose said.

Messenger Group employees at Bury and Warrington had voted unanimously not to belong either to a closed shop or to the NGA.

Some of the picketing had been peaceful. At other times, employees had been spat upon and subjected to verbal abuse.

The hearing, which is expected to last three weeks, continues today.

Lloyd's broker plans flotation

BY STEFAN WAGSTYL

PEARSON WEBB Springbett (PWS) is set to become the first Lloyd's insurance or reinsurance broker in eight years to be listed on the London Stock Exchange.

The reinsurance broker, controlled by Mr Malcolm Pearson, is aiming for a listing with an offer for sale of about 20 per cent of its equity. The flotation is expected to value PWS at about £15m.

The last Lloyd's broker to be listed on the stock exchange was Willis Faber in 1976. More recently two companies, Derek Bryant and Steel Burrill Jones, have floated some of their shares on the Unlisted Securities Market.

Mr Pearson said last night that PWS had no present need to raise money, but was going public to enhance its status in the reinsurance market.

The precise date of the flotation, sponsored by stockbroker Sheppards and Chase, will depend on market conditions.

PWS, formed by Mr Pearson in 1964, has a record of almost uninterrupted growth. Pre-tax profits for the year to March 31 1984 rose to £1.9m on turnover of £10m from £1.6m on turnover of £8m the year before. *The company is not making a profits forecast in its prospectus.*

Companies listed on the stock exchange are normally required to float at least 25 per cent of their equity. This minimum has been reduced to 20 per cent because PWS's shares are already relatively widely held by directors and senior employees.

Private health insurance still 'perk'

BY ERIC SHORT

PRIVATE MEDICAL insurance paid for by the company is still largely a perk for company directors and senior executives, according to a study by Income Data Services (IDS), the independent pay and conditions research centre.

The survey found very few company-paid medical insurance schemes which applied to the lower grade white-collar staff or to manual workers.

The IDS survey, based on a sample of 50 companies, showed "very striking differences" in the proportions of employees covered by company schemes according to socio-economic groupings.

Overall about 23 per cent of professional employees and 19 per cent of managers were covered, compared with only 2 per cent of semi-skilled and unskilled workers.

The survey showed that, in general, lower grade employees were not interested in private medical insurance schemes.

Where employers had arranged voluntary schemes for employees to pay for insurance the take-up levels rarely exceeded 10 per cent, even though the cost was at a substantial discount to premiums on an individual policy.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Independence gives hope of security

Ti mDickson explains how a concrete pipemaker avoided the possibility of closure

CONCRETE pipes can hardly be described as a glamorous business in this electronic age—but 60 people in the Cambridgeshire town of March now see them as a solid foundation for their future prosperity.

Just over two years ago when Cawoods Concrete Products (as their company was then known) found itself merged with the giant Redland construction materials group, that future must have seemed somewhat less secure.

Redland, for example, had previously sold off or closed down all of its pipe-making operations in the UK, including plants at Catterick, Poole and Wombourne, while Cawood's parent company—frustrated by consistent losses in the late 1970s—had earlier shut its Greenwich and Belvedere concrete block works in an effort to make the March-based operation viable.

"The merger of Cawoods and Redland thus raised a major question mark over the future of our company," recalls Tom Moore, the managing director sent in at the end of 1979 with instructions from Cawoods, as he puts it, "to mastermind the recovery or close the place down."

"We were optimistic about our order book, but we could easily have been sold to a major competitor and our jobs moved elsewhere."

Thanks to a management buy-out announced exactly a year ago this week, 60-year-old Moore today controls his own destiny and that of his employees much more closely. In a move which has so far proved remarkably successful the management team paid Redland £100,000 for the assets, brought in accountant David Willetts as a new non-executive chairman, and changed the name of the company to March Concrete Products.

Besides the executive team, which holds just over 30 per cent of the equity and Willetts (15 per cent), other shareholders include ICFC, part of the Investors in Industry Group (23 per cent) and local MP Clement Freud (who paid £10,000 for his 15 per cent stake).

In an industry which still suffers from serious over-capacity and price cutting and continues to see inroads (particularly at the smaller diameter end) from plastic pipes and other plastic-based materials, survival for March is bound to be a struggle in the years ahead. The company claims roughly a 5 per cent share of concrete pipes in the UK — where Amey Roadstone Corporation (part of Consolidated Goldfields) is the undisputed market leader with an estimated 20 per cent share.

The first year's results are certainly encouraging with sales up from £1.7m to £1.85m and profits up 50 per cent to around £120,000 in the 12 months to May this year. But while undoubtedly reflecting the new commitment of the management and workforce to the business, this performance must also be put in the context of the attractive price—a substantial discount on assets—which the new owners paid for the company. To keep up the momentum in a competitive market March must remain highly cost conscious while continuing to invest in new ideas and new techniques.

Corrosion

Perhaps the most interesting feature of the company a year after the buy-out is its directors' belief that their new-found independence has given them both the freedom and confidence to do just this.

March, for example, is now investing heavily in marketing Dramix steel fibre-reinforced concrete — a product which the company has developed over the last five years in conjunction with the Belgian Bekaert Group. Composed of cement, aggregates, sand, steel and water, the Dramix product has exactly the same composition as conventionally reinforced concrete, but being "homogeneously reinforced" March claims it is highly resistant to cracks and reduces the risk of corrosion.

One year after the buy-out: Tom Moore (centre) with his manager partners (l to r) John Daisley, Alan Wilson, Leo Doyle and Mike Paxton

Moore is convinced that the buy-out has significantly speeded up this project, which hitherto had been chugging along in the development stage but which now accounts for 10 per cent of total turnover. "Being our own masters we can follow our own inclination," he observes.

Much more ambitiously, however, March is currently contemplating a major £1m investment programme which would involve purchasing a highly sophisticated numerically controlled concrete pipe-making machine from Pedershaab Maskingfabrik of Denmark. Willetts claims this would significantly improve the quality and competitiveness of March products and would put the company "well ahead of its competitors."

Financing, he says, is not a problem since ICFC, Lloyds Bank and a European Community lending scheme are already lined up in support. "The main limiting factors in most businesses are management time, the product range, and size of profits."

Willetts and Moore are aware that March is overdependent on concrete pipes and with unutilised land beside their existing premises are on the look-out for opportunities to diversify.

In the meantime, nobody can say they have not thought through a strategy to retain their independence. Originally enlisted to save local jobs and discourage Redland selling the business to the likes of ARC, Freud is seen as a useful political weapon "if anyone tries to do anything funny."

ICFC, meanwhile, was invited to take part in the financing primarily because "its name on the share register gives us respectability." And, after explaining the ownership change carefully to suppliers and customers alike, the company has gone out of its way to develop an independent image.

With Freud's Liberal Party visibly committed to employee share ownership, it is perhaps embarrassing for him that March does not use this type of participation.

Moore emphasises that he and his fellow managers "have no philosophical objection. We have a bonus scheme but when we looked into the principles of employee share ownership we could not see how we could make them work in this instance."

Mutual benefit of graduate placements

WHEN a student leaves university he or she has tended to look to the Civil Service or big business for employment.

Traditionally the small business has had little social cachet for UK graduates. At the same time many self-made small businessmen have seen little to attract them in the proverbial long-haired academic.

But now a pioneering project, co-ordinated by Durham University Business School (DUBS) has set out to change that.

During the last year 24 graduates have been given five months' placements with small local businesses in a tripartite project involving the Manpower Services Commission, Rothmans International, a large employer in the area, and DUBS.

Of the 24 students all have now secured employment, eight with the small businesses with which they did their placements.

In discussing the gulf between graduates and small business, Julian Phillips, programme co-ordinator at DUBS, says: "On the one hand there is a belief that small businesses or self-employment are not fit occupations for graduates." On the other, he goes on, owner-managers are often frightened of recruiting graduates. If owners were successful they felt pride in working themselves up from the bottom. If their businesses were not going well the arrival of a graduate in their business could cause anxieties.

"We have shown," he says, "that the skills of a trained mind can be of immediate benefit to a small firm, whereas in a large organisation an individual has to wait a long time to make an impact."

The major problems expressed by graduates, says Phillips, were those of establishing a relationship with the owner-manager and lack of experience in their particular project work.

As for the owners of small businesses, their concern was that the projects being undertaken by the graduates should be relevant to their business. "In the end all these problems were surmounted," says Phillips, "and people were treated seriously. Both sides were surprised by how much each had to give the other."

"In the beginning I was not overkeen," says Ian Farnworth, chairman of Cinesport 7, of Langley Park, County Durham, which makes commercial and industrial videos. Richard Hicks, his graduate placement had a degree in Geography and Botany, a training which Farnworth felt was very different from that needed to make videos.

"But I found," observes Farnworth," that the great thing about a graduate is the ability to learn. That is what we must look for in an industry which has rapidly changing technology rather than an individual with a single skill training."

Richard Hicks project was to develop a closer liaison between clients and the production company. He had to establish the role of co-ordinator within a company that had grown rapidly. Before starting the job however he spent three months learning all the technical aspects of video-making.

"Since Richard became production co-ordinator the lead-time between an initial meeting with a prospective client and starting the job has been reduced from 10-14 weeks to seven," says Farnworth, who started his business two and a half years ago and employs seven people.

Ambition

Hicks's ambition had been to work with butterflies and moths. However, last month Cinesport 7 offered him a full-time job which he accepted.

On Friday Hicks was awarded third prize in a competition which marked the end of this initial DUBS scheme (similar projects may be initiated again by DUBS and other business schools.) The first prize was won by Craig Apsey who planned and executed a marketing programme for a small business, Autobility, which fits invalid chairs into car bodies.

Second prize was won by Mandy Rigby, who worked at Seaward, of Peterlee, an electronics components manufacturer. She did market research for future products and prepared and presented the application to the Department of Trade and Industry for selective financial assistance.

Three of the six finalists in the competition, sponsored by Carreras Rothman, were women. All three suggested that if there were hurdles to be got over as graduates, being a woman posed additional problems.

Lisa Wood

Exporting

BOTB dangles a carrot

A CAMPAIGN to encourage more small businesses to become exporters is being launched by the British Overseas Trade Board (BOTB). Conscious that many businesses are unaware of what it has to offer, the BOTB is from today dangling the carrot of a free introductory voucher worth £150 in front of any company which has so far not used its main services.

The voucher can be offset against the normal charge for, for instance, a market report or place at an overseas exhibition or added to the existing subsidy for, say, the Market Entry Guarantee Scheme.

The BOTB, which anticipates a healthy response to its initiative, accepts that "£150 is not in itself a large sum," but says the offer should be regarded as "an incentive for the new exporter to use BOTB services" and is "first and foremost an introductory promotional gesture."

The scheme is one of the main recommendations of a report also out today on the BOTB's services "in relation to small firms." Written by Roy George and Gisela Burg, the two small company representatives on the Board, the report suggests only small changes to existing BOTB services while concluding that the biggest need is to "reach" and help more potential exporters.

Four out of five BOTB customers are already smaller firms—defined as companies with less than 200 employees—and the bulk of net expenditure of £27.5m goes towards helping them. This policy, say the authors, should be continued. "We believe that the BOTB needs both to encourage established exporters to export more, and to devote a good part of its resources to bringing along new or small home market orientated companies so that they become the established exporters of the future."

Financial constraints—which affect all Government departments at the moment—will undoubtedly act as a brake on the BOTB's ambitions. But it is nevertheless significant—if not altogether surprising—that the board rejects the view expressed in some quarters that help should be concentated on larger and more established companies on the grounds that this is likely to lead to more additional exports in absolute terms and hence a more productive use of BOTB resources.

Burg and George emphasise that the board needs to involve other exporting organisations besides renewing its own efforts. They propose that the BOTB prepares a PR briefing kit for export clubs, chambers of commerce, and similar bodies, explaining how to attract editorial coverage in the local press, time on local radio etc; they welcome the current revamping of BOTB literature—including more "easy to read" single sheet leaflets in a more attractive style; and they point out that the transfer of BOTB regional office records in the near future on to a microcomputer will help focus the publicity and promotion effort.

Substantial

Among recommendations for developing existing services, the report suggests that:

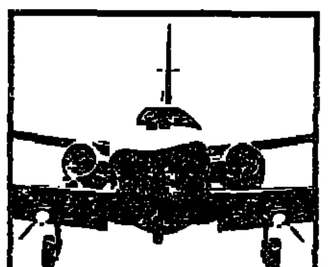
- The payment of travel grants to companies going on outward missions and joint ventures should be speeded up. At the moment slow payment appears to be a problem.
- The BOTB should introduce a more substantial discount for first time exhibitors on stand space at BOTB-supported trade fairs.
- One BOTB regional office should act as a pilot in keeping a list of exporters willing to give advice to new exporters on particular markets.
- The present minimum subscription of 150 notices for the Export Intelligence Service (information sent by Embassy staff on overseas markets, products, and export opportunities) is too high. It should be reduced to 50.
- The BOTB should encourage UK exporters to pass on to overseas posts export opportunities for goods and services which they do not themselves supply.

Copies of the report are available from BOTB, Room 235, 1 Victoria Street, London, SW1. Tel: 01-215 5222. Details of the new voucher scheme should be sought from the same address or regional offices.

T.D.

Business Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS



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Company Notices

PRIVATE INVESTMENT COMPANY FOR ASIA (PICA) S.A.
(the "Company")
(Incorporated in the Republic of Panama with limited liability)

NOTICE
to the holders of the outstanding
U.S.$20,000,000 FLOATING RATE NOTES 1986
of the Company (the "Notes")
of the
EARLY REDEMPTION ON 10th AUGUST, 1984
of the whole of the Notes by the Company

NOTICE IS HEREBY GIVEN to the holders of the Notes (the "Noteholders") that, in accordance with the Terms and Conditions endorsed on the Notes (the "Conditions") and pursuant to the provisions of the Trust Deeds dated 8th February, 1979 (the "Trust Deeds") made between the Company and The Law Debenture Corporation p.l.c. (the "Trustee") constituting the Notes, the Company will on the next Interest Payment Date, being 10th August, 1984 (the "redemption date"), redeem all of the Notes then outstanding at their principal amount together with interest accrued to such date. Payments of principal and accrued interest will be made on and after the redemption date in the manner provided in the Conditions against surrender of Notes and Coupons No. 11 appertaining thereto at the specified office of any of the Paying Agents listed below.

The attention of Noteholders is drawn to the Conditions and in particular to Conditions 4, 5 and 7 which contain further details regarding redemption.

The attention of Noteholders is also drawn to the fact that, as announced by the Company on 4th May, 1984, under the terms of the Consolidation Agreement dated as of 26th April, 1984 and entered into between Elders Finance and Investment Co. Limited, Elders Pica S.A. ("Elders Pica") and the Company, it has (subject as therein provided) been agreed that the Company shall with effect at and from the time therein provided (which is yet to be ascertained) (the "effective time") be consolidated with Elders Pica to form a new Panamanian corporation, the separate existence of the Company and Elders Pica will cease and such new corporation will come into existence under the corporate name of "Elders Pica S.A." ("EP"). If the effective time should occur prior to the redemption date, notice thereof will be given to the Noteholders. However, in accordance with arrangements which will, at the effective time, be entered into with the Trustee, EP will be substituted for the Company as the debtor under the Trust Deeds and the Notes with effect at and from the effective time. Accordingly, the redemption of the Notes will, at and from the effective time be effected by EP instead of the Company but will not be otherwise affected in any way.

PRINCIPAL PAYING AGENT
BANK OF AMERICA INTERNATIONAL S.A.,
35 Boulevard Royal,
Luxembourg.

OTHER PAYING AGENTS
BANK OF AMERICA NT & SA,
25 Cannon Street,
London EC4P 4HN.

BANK OF AMERICA NT & SA,
2 Boulevard de la Woluwe,
B-1150 Brussels.

BANK OF AMERICA,
37/41 Broad Street,
New York,
New York 10015.

Dated 10th July, 1984.

PRIVATE INVESTMENT COMPANY FOR ASIA (PICA) S.A.
By: Sir Anthony Hayward,
Director

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs") IN FUJITSU LIMITED

NOTICE IS HEREBY GIVEN that Fujitsu Limited paid a dividend of Yen 4 gross per share to share-holders as of record date 31st March 1984. This dividend has been converted to U.S. Dollars and amounts to U.S.$16.60 gross per EDR.

Accordingly, Kleinwort, Benson Limited as Depositary informs holders of EDRs that they should claim their dividends by presenting Coupon No. 6 on or after 11th July 1984 at the office of the Depositary, KLEINWORT, BENSON LIMITED, 20 Fenchurch Street, London EC3, or THE MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Avenue des Arts 35, 1040 Brussels, or BANQUE INTERNATIONALE A LUXEMBOURG S.A., 2 Boulevard Royal, Luxembourg.

Coupons must be left for 3 clear business days for examination and may be presented on any week day (Saturdays and public holidays excepted) during normal business hours.

Japanese withholding tax at the rate of 20 per cent. will be deducted from the gross value of all dividends paid unless the EDR holder lodges, in a form acceptable to the Depositary, an affidavit of residence in a country having a tax treaty or agreement with Japan providing for a lower rate of withholding tax in which case such lower rate will be applied.

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KLEINWORT, BENSON LIMITED
London, Depositary

London
10th July 1984

IRELAND
US$100,000,000
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10 July 1984
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The Film Management System
by
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Film Management System
c/o New Zealand - United Kingdom
Chamber of Commerce
Suite 615, 162-168 Regent Street
London W1R 5TB

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FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Tuesday July 10 1984

New Zealand's need to adjust

IF ONLY a Hawke could swoop into the politics of New Zealand. Someone with the broad political appeal of the Australian Prime Minister is needed to spell out unpalatable truths to the country and to set it on to an economic course in which the people's expectations tally more nearly with reality. A victory for the opposition Labour Party is looking increasingly probable in the election on July 14, but the charismatic figure is missing. The best hope is that this poll will break the mould of the last decade and allow fresh political talent to emerge.

The present Premier, Sir Robert Muldoon, was once a leader with sufficient presence and authority to pull the feat off. But in recent years he has used his increasingly embattled position as the national father-figure to construct an elaborate disguise for reality. The full deterioration in the terms of New Zealand's trade has been hidden behind an overvalued exchange rate and a worrying amount of foreign debt. The true consequences of the excessive domestic budget deficit are tucked away under interest rate controls. Hope for the future has been enshrined in a number of "think big" industrial and energy projects which, while praiseworthy in their positiveness, are now, in some cases, looking somewhat muscle-bound as energy prices soften and newly emerging industrial countries assert their comparative advantage.

First step

Sir Robert Muldoon has protested bitterly and with some justification against the way the world's monetary and trading order is stacked against New Zealand. The protectionism of industrialised countries has prevented New Zealand's own comparative advantage in agricultural products from asserting itself. To its credit the Government of Sir Robert's National Party has built upon the country's natural strengths by encouraging the spread of its exports away from sheepmeat and dairy products and towards timber, horticulture and beef.

Unjust though the external order may be, it does not pay for the New Zealand government to protect the economy from uncomfortable reality by subsidising exports, controlling imports and supporting an unrealistic exchange rate with borrowed money. It would be much more constructive to float the exchange rate in a way that truly dissociates the government from its final level and to build upon the admirable plan, pursued by the Muldoon government, to construct a free trade zone with Australia. This would be a first step towards New Zealand rediscovering a sustainable niche for itself in the international division of labour.

There is clearly an underswell of desire within the electorate to climb out of the protectionist and dirigiste cocoon, but the party which best expresses the frustration — the New Zealand Party, founded in 1983 by the property developer, Mr Robert Jones—is not yet a credible political force.

It is probably the leader of the Labour Party, Mr David Lange, who will this time manage to tip the scales against Sir Robert Muldoon. It says something for the woolliness of Labour's approach, and for the divisions within the party, that the opposition have not yet produced a detailed set of economic alternatives to the present apparatus.

The Labour Party has already made it clear that a long period of adjustment lies ahead for New Zealand, but whether it has the cohesiveness or leadership to face up to the vested interests and just social causes which will suffer during this process, remains open to doubt. The re-establishment of a social consensus behind government policy is a less important requirement in New Zealand than it was in Australia, and the Labour party is therefore a less good choice to administer the needed rose of more liberal economic principles. The long-term importance of this election could lie more in the shake-up in the National Party that it leads to than in the government which it emmediately elects.

Two forms of merger policy

THERE IS an interesting contrast between the 50-page merger guidelines published last month by the U.S. Justice Department and the brief statement issued last week by Mr Norman Tebbit, Secretary for Trade and Industry. The American document gives reasonably clear and detailed guidance to businessmen on which mergers are likely to be challenged by the anti-trust authorities because of their impact on competition. It covers such matters as the definition and measurement of markets, the significance of market shares, the role of import competition, arguments about efficiency and the so-called "failing firm" defence.

The British announcement does little more than restate the Government's intention not to alter in any fundamental way the procedures for merger control set out in the Fair Trading Act of 1973. Ministers will place primary emphasis on competition in deciding whether to refer a merger to the Monopolies Commission, and the qualifying limit for size of transaction will be raised, so that more small mergers will escape the net. But the Government will still have discretion to refer mergers on other than competition grounds and the Commission will still take into account a wide range of "public interest" considerations in arriving at its decisions. It is these two elements which have made British merger policy appear arbitrary and inconsistent in the past.

Competition

U.S. merger policy has gone through some erratic periods in which theoretical notions of competition and industrial structure were dominant. The Reagan Administration has sought to define more rigorously those mergers which, on the basis of careful economic and legal analysis, threaten competition. But the key difference between the two countries is that the U.S. is concerned *solely* with competition while in the UK the maintenance of competition is only one of a number of factors to be taken into account. As the Fair Trading Act puts it, the Monopolies Commission shall consider "all matters which appear to them in the particular circumstances to be relevant."

To the extent that yesterday's statement shows a more determined emphasis on competition, especially at the referral stage, it is very much to be welcomed.

Almost all the mergers which have been referred in the past year or so have been of the horizontal type, posing a potential threat to competition. Large conglomerate deals of the BTR/Tilling sort have been cleared; the Lonrho bid for House of Fraser, referred in 1981 and turned down by the Commission, would presumably not be a candidate for referral today. Nevertheless, as long as the power to refer mergers on other than competition grounds remains, it will be used; Ministers will be subject to lobbyists who will argue that a particular merger must be referred because of its "national interest" implications.

The weakness of British policy is that it confuses two different objectives—the need to maintain and promote competition and the desire of governments to prohibit mergers which for one reason or another are regarded as against the national interest. The Government already has such a blocking power (confined to manufacturing industry) through the 1975 Industry Act, although it has never been used. There is a case for extending it to cover commercial and financial companies and for ministers to use it in those rare cases—say, a foreign bid for a clearing bank, or for a major defence contractor—where the national interest is thought to be threatened. Such an arrangement would place the onus on ministers for taking awkward political decisions, and would free the Monopolies Commission to concentrate on competition.

In the meantime the Government must make the best of existing legislation. Under present arrangements merger policy is made at least as much at the referral stage as by the Monopolies Commission itself. Ministers should explain publicly why they have decided not to refer mergers to the Commission; for example, they may judge that the threat to competition is slight. Equally, the Commission should relate its judgments more clearly to earlier reports, with a view to developing a coherent economic framework which businessmen can understand; this will be easier if ministers send to the Commission only those mergers which raise issues of competition. Thus British merger policy, which has been far too pragmatic and *ad hoc*, can be made somewhat more consistent and predictable.

SIR DENIS ROOKE OF BRITISH GAS

'I'll be judged by my results'

By Ian Hargreaves

Sir Denis: "I'm essentially about the long term"

IF SIR DENIS ROOKE were still an enfant, he would certainly be dubbed terrible. As it is, just turned 60, Sir Denis is still capable of striking terror into the heart of anyone who steps across what he deems to be the true path of progress for British Gas, the state body he has run since 1976.

He is the state sector's longest-serving chairman, architect of some important parts of its statutory framework and possessor in Whitehall of a hard-man image which makes the coal board's Ian MacGregor a political lap-dog by comparison.

Since Mrs Thatcher won office in 1979, Sir Denis has seldom been out of the news, fighting a series of battles, over prices, over the forced sale of oil assets and over the still unresolved question of privatisation. The fight, as he sees it, is for the right to manage British Gas in the long-term interest of its 15.5m customers.

There have been many vivid clashes of personality, none more so than the still reverberating set-to with Mr Nigel Lawson, then Energy Secretary, now Chancellor, which began when Sir Denis publicly attacked the energy content of the 1981 Queen's speech — an unprecedented challenge from a state industry boss.

But the fascination of the Rooke - Lawson contest runs deeper than personality. It goes to the heart of both the genral debate about the role of the state sector in the British economy and the narrower issue of the management of major utilities in the national interest.

Mr Lawson's view is that policy should flow from an appreciation of markets. Sir Denis clings to the Morrisonian ideal of a strong state corporation managed around a tight planning framework at arm's length from eWstminster and Whitehall. eH is not, he insists, a centraliser for the sake of it and points to his reluctance to change the untidy boundaries of his 12 area boards or regions

There have been many vivid clashes of personality

—a relic of civil defence planning—to make the point.

"Our objectives ought to be about satisfying the reasonable demands of our customers' profitably and without being a burden on the nation. I happen to think we do that. The oGvernment owes me money. So why the hell do we get these special impositions?" he says.

To Sir Denis, the attempt to base energy policy upon market forces rather than strategic plans constructed from a long-term assessment of supply and demand, is fundamentally misconceived. "The market means short-term aberrations. I don't think a market will determine anything about the fundamental life of a country. If you run a business like gas, it takes years to build something. I'm essentially about the long term."

It is a source of astonishment to many that a man holding these views secured in 1981 under the brief Energy Secretaryship of David Howell, an additional term of office. The story runs that when the Prime Minister was questioned on this point by a visiting captain of industry, she replied: "I cannot be expected to attend to every detail."

Sir Denis, however, is no detail. Son of a South London commercial traveller, he joined the gas industry in 1949 after five years army service in Britain and India.

From the army, he says, he learned an important business principles: "what you need is for everyone to agree on a course then go and do it. If you do that you win, if you don't you loose."

Not even Sir Denis's many critics challenge his record as a doer. With degrees in both mechanical and chemical engineering, he was a member of a tiny team which pioneered the sea transport of liquefied natural gas; he was behind the laying down of the national grid, the corporation's sophisticated central control system and, in effect, the creation of the monarchy of British Gas from the lands of the warring area board barons in 1973.

His voyage from the U.S. to England on the "Methane Pioneer," a ship kept from the normal sea lanes because many expected it to blow up, still ranks as a highlight in his memory. "His engineering achievements," says one who has watched him work at close quarters with less than total approbation, "are on the scale of a Brunel."

It is to such points of reference that Sir Denis turns when the question of privatisation, once more a subject of active Cabinet-level debate, is raised. "I've lived through a few real revolutions, not just politicians saying something," he sneers, rolling his eyeballs towards the ceiling as he always does when making a point with force.

His favourite polite adjective for politicians and civil servants is "theoretical." To describe himself and the values he admires, the word "rational" recurs. The shape of the industry, he argues, has been "rationalised by history" and should not be tampered with. Politicial swings at the Energy Department, from Mr Tony Benn to Mr Lawson within a decade, have been so great that "if you followed them all you'd go round the bend. We have a credible, industrial rationale which carries us through."

British Gas is made in this image. It needs and demands clear financial and performance targets and has a good record in parcelling them out to the areas and meeting them. Sir Denis spent months last year leaning on a reluctant Government to give him a four-year return on capital target, rather than a short-term goal.

The task of implementing these objectives falls largely upon the steady shoulders of Mr Bob Evans, the one-time Burmah Oil man who last year became British Gas's chief executive. He used to run the East Midlands region with admired firmness and seems positively to relish the latest Government target of reducing non-gas costs by 12 per cent in real terms over four years. He is examining subcontracting versus direct labour; vehicle fleet management; stores; less labour intensive pipeline inspection; six monthly billing and a host of other programmes which will reduce the work-force by 7,000 to 94,000 in the next five years. This is unlikely to present problems in an industry notable for peaceful labour relations.

The strengths of the Rooke approach are several. He imparts a sense of solidity and security to employees and is good at implementing change. British Gas's accounts, for example, have been computerised since the 1960s. The danger is poor communication with the outside world of the Flanders and Swann "gasman came to call" variety and inflexibility in the face of changes, such as the oil shocks, which create a case forhigher domestic gas prices in the national interest, if not directly in the gas consumer's interest.

But the fact that British Gas has consistently met targets and made large profits—£663m on a current cost basis last year, or more than £1bn on historical costs—has made it difficult to attack an anything other than broad ideological grounds, even though a major explanation for the profits is the oil price explosion, which has not been matched by a comparable rise in British Gas's supply costs.

Mr Lawson, for example, commissioned accountants Deloitte Haskins and Sells to examine British Gas, but the 253-page report which appeared last year was conspicuously lacking in punch. True, it challenged the corporation's pricing philosophy, spoke vaguely of the need for profit centres and suggested weaker areas try to das as well as stronger ones. But British Gas's public response, contemptuous and brief, seems to have gone unchallenged in Whitehall.

The problem, as Deloitte's discovered, is that there is not really any other body British Gas can be compared with, at home or abroa. So political opponents tend to resort to the argument that since British Gas is a large, centralised monopoly making huge profits, it must be wasteful and bureaucratic.

It was a desire progressively to expose British Gas to competition that lay behind the forced sale of the company's oil interests and the unsuccessful (so far) attempt tohive off gas showrooms. Now the Government is debating how to privatise British Gas itself, with the Lawson faction favouring a further break-up and the foot-dragging Peter Walker, the Energy Secretary, a British Telecom-style integrated flotation.

Sir Denis, who enjoys cordial relations with Mr Walker, has kept a low profile in this debate lately—normally a sign that he thinks his view is winning. But when pressed to comment, the eyeballs roll.

So far as he is concerned, Britain is a small country, perfect for a single, integrated, high-pressure gas system. "If I was operating in the U.S. or Canada," he concedes, "it would be different."

In the future, as the country depends more upon large import contracts with foreign governments and then, around the year 2050, he guesses, on substitute natural gas (SNG) made from coal, he thinks the same kind of corporation will be needed to develop the best technology, and to build SNG plants on the coalfields and at coal ports on the necessary scale.

A break-up of gas would, in his view, "destroy the industry." Even the British Telecom solution he considers unattractive, since British Gas is self-financing as far ahead as he can see. The argument that private equity will reduce political interference is, he says, disproved by the American example.

Sir Denis as a point in that gas, facing a 13 per cent real increase in its supply costs in the next five years, as its low-cost 1960s gas contracts run out, knows that its competitive edge over nuclear and coal generated electricity has started to slip. Sales of electric storage heaters have multiplied sevenfold in the last four years.

Faced with a tougher market, Sir Denis can see all too clearly the dangers posed to British Gas by the Treasury's campaign to force up prices and his campaign against this eventuality is certain to remain part of his daily round.

This political infighting, although he often seems to pursue it with relish, is not, he maintains, his vocation. "I do it because I have to for the industry," he says.

His main functions as chairman of British Gas, he suggests, are to promote the right people, to strengthen them "against over-reacting to the clamour from outside" and to maintain contacts with the City, industry, Westminster, engineering institutions and world gas people. In practice, he also takes a very close personal interest in gas supply, pricing and research, but is less personally consumed by the detail of financial management. No major policy decision is taken without him. He undoubtedly possesses charisma, in the sense that he can, by force of his own presence, win agreement where others, deploying the same arguments, would fail.

He rejects the frequently made charge—although it has to be said that Sir Denis is not in the habit of pleading guilty to charges levelled from the outside—that British Gas is too inbred. He points to a handful of senior executives who do have outside experience and argues that it is impossible to hold effectively a senior British Gas job without 10 years experience in the industry.

His candidate for a successor, assuming he is not re-appointed in two years, will be one of his colleagues, but he is not saying who. Inside British Gas, few doubt that Bob Evans is the man.

"But I don't believe in bringing in merchant bankers to run things,"he snarls. "A merchant banker is like a politician or a civil servant—he's a generalist. He knows a lot about very little."

The sharpness of this comment derives in part from Sir Denis's deep-seated conviction that fashionable talk about Britain prospering as a service economy is so much nonsense. He might have written Harold Wilson's script about the "candy floss economy."

"The only things that create wealth in the world are things like fishing and farming and mining and taking resources and creating something," he says. "I understand that in the City they make a turn by shifting money from A to B, but if there wasn't somebody out there getting dirty, the City wouldn't be there at all. I'm interested in wealth creation, not all this service business."

To Sir Denis's critics, this kind of remark confirms their view of him as a Frankenstein figure, constructed from the nuts and bolts of the techno-

Many critics see Sir Denis as a Frankenstein figure

cratic 1960s, descending from the Transylvania of his headquarters near Vauxhall Bridge to crash around Whitehall. To his admirers, Sir Denis is simply holding true to values which are out of the political fashion, but which Britain will have to rediscover if it is to rebuild a solid economy.

"Nobody believes in my view any more," he says with characteristic overstatement. "But I don't give a damn whether I'm favoured. I couldn't care less what people think about me. I'm interested in my business and I'm prepared to be judged by my results."

British Gas's 1983-84 results will be out in two weeks. Sir Denis knows he will not have to eat his words.

Men and Matters

People who live in glass houses

Feelings run high in the closely knit and venerable club of world glassmakers on the subject of Bill Davidson, the quiet, but aggressive, president of Guardian Industries, now involved in a takeover bid for the company.

One leading member does not even like to be in the same room with him. Guardian, is, of course, the upstart in the glass-making club, having started to make glass only 14 years ago. St-Gobain of France and Pilkington of Britain have been at it for over a century.

Davidson is the typical self-made man of American legend. Raised in Detroit, he rushed through a business degree at the University of Michigan and a law degree at Wayne State and soon after got involved in drug wholesaling surgical supply businesses.

In 1955, he took the opportunity to buy his family's small and failing glass fabricating business and rebuilt its sales to the big car makers.

He soon realised that the only way to make high profits was to make your own glass. And the only way to do it was with Pilkington's then new and highly efficient float process.

The British company wouldn't give Guardian a licence so Davidson hired an engineer from Ford, which had a licence, and went ahead and built a plant in 1970.

Davidson and Guardian have surged ahead ever since. The company now has four float plants in the U.S. and one in Luxembourg, and it is nursing projects in Switzerland and Spain. Davidson's 42 per cent shareholding is worth $42m.

His drug and surgical businesses have also done well. He is now putting the same determination into the Detroit Pistons backethall club where he is the lead investor.

No smoke or fire

Most tobacco addicts, in spite of all the warnings, were in shock yesterday as London Transport enforced its no-smoking ban on the London Underground. It hasn't yet been extended to the platforms, but this could happen eventually.

Certainly LT spared nothing to spell it out to us on the first day. At Shepherds Bush the blackboard announced "No smoking from today on trains" — we saw it along with the notice that Bovis International apologies for the inconvenience caused by the work on modernising the station.

BR arrivals at main line stations were told on the loud-speaker that the ban is applied on the Underground. So anybody travelling had no illusions that the non-smoking lobby has won another significant battle. "Another victory in the new puritan revolution," observed a 60-a-day company director, who has other vices too.

London Transport is taking the revolution blandly. "We're only making complete the action we've been taking for some years," one of its officials said: "We've been cutting down the number of smoking compartments." LT believes it was one of the last big-city underground systems still to permit smoking on trains.

The authority insists that it will play matters cool at first. Some smokers will forget and instinctively light up. It isn't expected they'll be dragged off to a deep dungeon, but just simply told that it won't do.

At a late hour yesterday LT had no news of offenders. The rumour that an organised group of addicts intended to board trains and ceremonially light up proved to be false. There was, however, a small demo by tobacconists at London Transport headquarters.

The theory is that there is a generation gap between smokers and non-smokers. The smokers tend to be approaching the sear and yellow stage. On the credit side they are law-abiding citizens and would not risk a £50 fine for the sake of proving a point about individual freedom.

Another 60-a-day man said: "Of course we'll obey the rules. But it's a bit of a bore to get into a non-smoker, sit there gasping, and the only other people in the compartment are a young couple playing a transistor at full blast and eating onion-covered hamburgers."

LT's answer to this is that, of course, such offenders are disturbing the comfort of passengers as seriously as smokers, and can be disciplined and fined.

Angels wanted

Fans of Rowan Atkinson, star of BBC Television's Not the Nine O'Clock News, are being offered a chance to help to bring him back to the West End stage this autumn.

A minimum stake of £450 will buy a share in Trick or Treat, a comedy by Larry Shue due to open in London in October after two weeks in the provinces.

The sum buys a ¼ per cent stake in a £108,000 fund-raising fo rthe show and a ½ per cent share in any production profits. Units of ½ per cent and 1 per cent are also on offer.

Rowan is under contract to be in the show until mid-January, but may stay longer. And if the show is a hit and goes on tour or sells to television then investors will get their share of the extra profits.

Investors not so keen on Atkinson can instead back his Not the Nine O'Clock News co-star, Griff Rhys Jones, who stars in Trumpets and Raspberries opening at Watford in September ad hoping for a West End transfer. That show, too, needs £108,000 to get on the road.

But Charles Fry, director of Johnson Fry, the licensed dealers organising the funding, gives a warning that in the theatre there is no such thing as a sure-fire hit, whoever the stars are. "I always tell my investors that they must be prepared to lose the lot," he says. "And then they invest without a whimper."

If that sounds depressing, remember that two of the shows backed by Johnson Fry invesors were Evita and Cats.

Back to it all

"This is a cross between coals to Newcastle and selling fridges to Eskimoes." Seymoor Grann, managing director of Roba eMrchandising, was talking about his company's contract to send typical British food to the aGmbia for British holiday-makers who choose Africa to get away from it all, except the food.

The deal includes baked beans, tomato ketchup and custard powder, but also Roba sends fruit cocktails, orange juice and pineapples which came from west Africa in the first place.

Roba eMrchandising is a subsidiary of Roba (UK), the international freight forwarding and training group based in Harlow, Essex. Grann, who travels 100,000 miles a year drumming up freight and trading business, plans to offer a similar service sending British food parcels to hotels all over Africa.

Night life

Marooned in a small Midlands town recently, a company director looking for a factory site, had a night off and called a taxi. "All right," he said to the driver, "show me the night life."

"Night life?" the cabbie replied. "Well, I can take you to where they do the illegal fishing."

Observer

CONTINENTAL ILLINOIS

The white knight hasn't arrived

By William Hall in New York

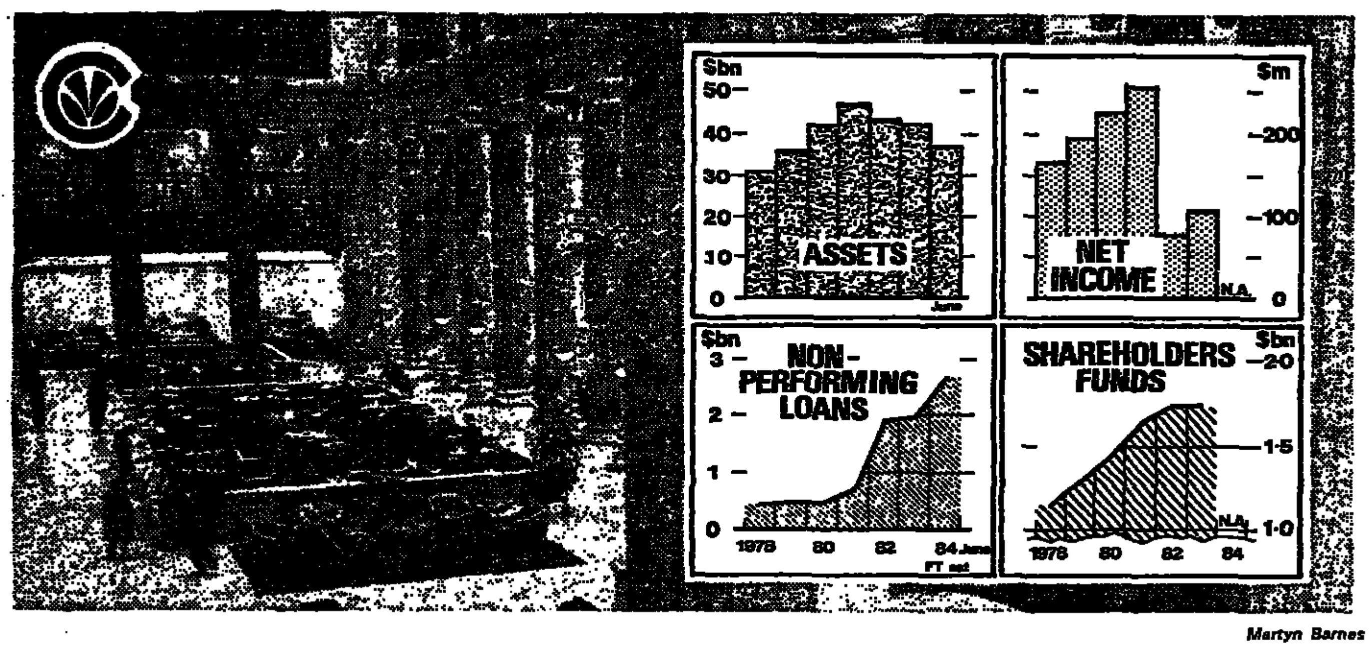
TWO MONTHS after U.S. bank regulators stepped in to stop the multi-billion dollar run on Continental Illinois, there is still no sign of a long-term survival plan for America's eighth biggest bank and bankers believe that unless action is taken soon, the regulators will be left with an expensive skeleton.

Hopes that a white knight in the form of a foreign bank or a wealthy U.S. money centre bank, would step in and take Continental Illinois off the hands of the regulators at no cost, have all but evaporated. So have hopes that the bank would quickly trade its way back to financial health as an independent entity, not reliant on long-term official support. Continental, which not so long ago was one of America's proudest and most profitable banks, is wilting as every week goes by. Now there are suggestions that the regulators may be growing impatient with the top management at the bank and may be considering changes even though the new management has itself only been in place for a couple of months.

Mr William Isaac, chairman of the Federal Deposit Insurance Corporation (FDIC), who masterminded the $7.5bn rescue, must decided soon what should be done about Continental's *long-term future*. His room for manoeuvre is fast running out.

The bank is being forced to pay above the odds for its *funds*, which means that it is almost certainly losing money and finding it difficult to compete in the corporate lending market, its traditional bailiwick. Uncertainty over its future is damaging its client relationship, staff morale is slipping and senior executives are starting to quit. Meanwhile, Continental's rivals are gathering in the wings and are already making lunges at the bank's juiciest accounts. No bank can survive for long in such an uncertain environment.

When the regulators took the unprecedented step of guaranteeing all of Continenta's $28bn of deposits on May 17, they took a massive gamble. They hoped the intervention would be sufficient to restore complete confidence in the troubled bank. It did not work.



Martyn Barnes

The big internatioal depositors, who precipitated Continental's problems when they withdraw their money in early May, have failed to return in sufficient numbers to enable the bank to function without relying on the $5.5bn "safety net" from the commercial banks

The bank, which has the benefit of a $2bn temporary capital injection from the FDIC and leading U.S. banks, is still borrowing another $2bn of overnight money from the Federal Reserve Bank of Chicago, its lender of last resort, plus over $4bn of *Fed funds on an over*ight basis from the "safety net." Though Continental's funding needs have dropped as it has shrunk its balance sheet, the official support group is still providing over a quarter of the bank's funds.

Continetal's plight was summed up by one money market trader recently: "I may get an extra 1 per cent by putting my money in Conti, but it is now June 30 and I really do not want to show Conti in my financial statements. I would find it difficult to explain it to my superiors."

Bankers believe that the FDIC has only itself to blame for the money markets' continuing *nervousness. The FDIC has* never said how long it would guarantee Continental's deposits. As a result big depositors are reluctant to place lon-term funds with the bank in case the FDIC withdraws its guarantee before the deposit matures.

Indeed, several U.S. bankers believe that the FDIC is in a bigger fix than it dares to admit. Not only has it failed to restore long-term confidence in Continental, but its handling of the case has made it very vulnerable to lawsuits from the depositors of smaller banks which have failed in the U.S.

> *Uncertainty is damaging client relationships, staff morale is slipping, senior executives are starting to quit . . . and Continental's rivals are making lunges at its juciest accounts.*

over the past years and have lost their money. Why have Continental's depositors been given special treatment? They can fairly ask.

Meanwhile, bankers are ques*tioning the legality of the* FDIC's guarantee of all of Continental's deposits and wondering whether the agency has the capacity to stand behind the *bank over the long term* without additional federal help. Notwithstanding the recent reduction in Continental's balance sheet, its deposits still dwarf the FDIC's $16bn of total funds.

Mr Isaac is understood to have set an end of July deadline for the implementation of a more permanent solution. Most observers believe that either Continental will be forced into a merger or will be allowed to remain independent with the help of a long-term assistance package from the regulators.

The bank's balance sheet has been shrunk over the past few *months and is now understood* to be $37bn and continuing to shrink rapidly as Continental tries desperately to get down to a size where it can either fund *itself* independently or be attractive to a merger partner.

Several banks have had teams of people crawling over Continental's books but so far no *one has put in a bid*. Until the FDIC reveals whether it is prepared to be "substantially and financially involved" in a deal to resolve Continental's problems, there is not going to be a bidder.

The two most obvious candidates, First Chicago and Chemical Bank, have said publicly that they no longer want to be considered as merger partners. The weakness of their share prices following the disclosure of their interest in Continental, is understood to have deterred their managements from proceeding with a bid in the absence of a promise of sizeable Federal aid in any merger.

Parallels have been drawn with the rescueof First Pennsylvania Bank in 1980. After it ran into difficulties in the band market. It slimmed itself and *has managed* to trade back to health with the help of a $500m five-year assistance package, and a continuing funding commitment of $1bn in lines of credit from leading U.S. banks. *At the* time, the Federal Reserve indicated that its discount window would be available "as appropriate."

Mr John Lyons, a former bank regulator now running his own consultancy firm, says that the "only solution which makes any sense is the First Pennsylvania solution." He believes the authorities will be forced to permit Continental to survive in its own right while receiving government support until the bank finds its own level and "that *level is believed to be sub*stantially below its present size."

This solution is the least desirable from the standpoint of the authorities, but says Mr Lyons, "I am afraid that is the only alternative. Other experts are less convinced.

Mr David Cates, who runs another bank consultancy, *thinks there are several reasons* why Continental's problems are unlikely to be solved through the type of solution applied to First Pennsylvania. Continental *is much bigger than First Penn* and is much more internationally orientated. Nobody knows what the right size of a slimmed down Continental should be, and, "how do you shrink it down in size without "nicking the bone?" asks Mr Cates. Finally, he questions whether Continental will be able to hang on to its skilled staff and main*tain a reasonable service while* it is shrinking.

It is one thing to halve the size of a regional bank, like First Penn. It is quite another to transform a leading multinational bank into a medium-sized independent regional bank, which most bankers now assume is the course being set for Continental. The pain may be too great.

"I see a merger as being the most likely or desirable outcome," Mr Cates says. "Otherwise we re looking at a bank whose *survival* as an ndependent entity is much more questionable than First Penn, or a bank that winds up being nationalised."

In common with most zankers, he believed that a solution will have to include a substantial aid package from the authorities.

This puts the ball firmly back in Mr Isaac's court. While the provision of long-term financial aid may appear to be a 180-degree turn for a regulator who has been one of the toughest advocates of *increasing* market discipline in the financial system, it is looking as if any alternative would be too costly and messy.

If it is any consolation to Mr Isaac, there is a precedent in Continental's case. In the 1930s Continental Illinois was rescued from the problems of the great depression by a $50m capital injection from the government-backed Reconstruction Finance Corporation.

Lombard

Shorter hours and job losses

By Anatole Kaletsky

WHETHER employers like it or not, the bandwagon for shorter working hours in Europe is now unstoppable. The offer of a 38½-hour week to German metalworkers will act like the release of an emergency brake. Coming on top of the gains on working hours made in the past few years by unions in France, Belgium and the Netherlands, the German settlement has virtually destroyed the mystique surrounding the figure "40."

But if the principle that shorter working hours are attainable has been firmly established the reasons for setting this objective remain somewhat fuzzy.

Unions declare they are cutting hours to create jobs. But *few, if any, are prepared to en*dorse openly the corollary spelt out recently by the European Commission: that reductions in hours must be matched by cor*responding cuts in pay if they* are to stimulate employment. Beneath the surface, however, there are signs that a modified version of this doctrine could gradually be winning acceptance, perhaps unconsciously, among many workers.

While cuts in working hours are not being matched by reductions in wages, they are being accepted by some union negotiators as a partial substitute for wage increases. On the other side of the coin, work-sharing arrangements may not be creating jobs, but they are helping to preserve the ones which exist.

The "new classical" economists who dominate policy thinking today can point out, of course, that distinctions like these are vacuous: there is no difference in principle between accepting a cut in wages and foregoing a wage increase which would otherwise be on offer; new jobs and old jobs are theoretically indistinguishable and the existence of both depends simply on the level of real wages.

For people who think like this, any linkage between shorter hours and jobs is manifestly absurd. Workers could accept compensating wage cuts, in which case they would be better off simply taking their new lower wages and working their present hours. The lower wages would then allow *employers to raise output and* create more jobs; in such circumstances, working hours limitations would simply impose an artificial and unnecessary cap *on the total amount* the economy could produce. Alternatively, if workers refuse to accept real wage cuts in exchange for shorter hours, they will inevitably expose their employers to higher production costs and condemn the economy to lower levels of output and employment.

Such arguments leave out of account the two most important features of the present European jobs crisis—productivity growth and government-imposed constraints on total economic output. Unless European governments are prepared to adopt much more expansionary macroeconomic policies, in the style of Reaganomics, European *industry's proven capacity to* generate sustained productivity growth will continue to cut into employment.

Cuts in working hours offer a way out of this conundrum which is in many ways more attractive than the currently fashionable idea of emulating America. After all, the key to America's impressive record of job creation has been an almost flat long-term productivity trend.

By making cuts in working hours conditional on productivity improvements, European employers could continue to keep abreast with new production technologies, without forcing their workers into the dole queues. By accepting reductions in working time as a substitute for real wage increases, European workers can protect their jobs while sharing *their* industries' productivity improvements.

In an ideal world, Europe's productivity improvements could be generating higher *economic growth instead of* more leisure. But as long as European governments stick to their present restrictive monetray and fiscal doctrines, limitations on working hours could do more to reduce unemployment than to constrain economic output.

Letters to the Editor

U.S. policy and recovery

From Professor Wynne Godley.

Sir,—The corresponce about the U.S. recovery has become confused because my first reply (June 29) to Professor Harold Rose appeared on a day when, it seems, Barclay's Bank were just about the only people to receive a copy of the Financial Times.

It appears that everyone who has written to the Financial Times on this subject, including now (July 5) Harold Rose himself, agrees that fiscal expansion has been a significant factor contributing to the U.S. recovery. This is what apparently had been denied by the Chancellor.

I think it should be added that the OECD figures for the UK, which Professor Rose quoted in his original letter, show that last year there was a substantial expansion in the fiscal stance (appropriately defined). So it now looks as though the recent expansion of domestic demand here has been *the result of a fiscal* U turn after all, assisted by a credit boom.

(Professor) Wynne Godley,
Department of Applied Economics,
Sidgwick Avenue, Cambridge.

The effect of milk quotas

From Mr A. Rosen,

Sir,—Your supplement article on Irish agriculture (July 2) was indeed timely appearing as it did on the opening day of the Royal Agricultural Show in England.

Your correspondent, Brendan Keenan, bemoaned what he considered the minimal 4.6 per cent increase in milk production that is to be allowed Irish dairy farmers in 1984. He omitted to mention the various ways in which the Irish will ensure that they not only meet this generous quota (when compared with the 9 per cent reduction imposed on British dairy farmers), but also exceed it so that they may then seek an even greater increase in 1985.

Widespread smuggling of liquid milk from the north into the south is taking place; quotas are being sold and transferred; and various direct supplies by farmers to consumers are being omitted from the quota calculations.

The Treaty of Rome which originally set up the EEC, established that all farmers in the Community should be treated uniformly; the current debacle over milk production believes this government's, and indeed, most European Governments', intentions to deal equally. The increase allowed for in Ireland's production of milk was a straightforward piece of political blackmail and should be acknowledged as such.

The total disregard of sane business practice by imposing a 9 per cent *cut in Britain's milk* production at 48 hours notice has already had dramatic adverse effects on those in any way connected with the dairy sector.

The Milk Marketing Board, one of the major culprits in failing to anticipate and prepare for quotas, has already made redundant many hundreds of workers, and more will inevitably follow. Feeding-stuffs manufacturers have seen their dairy feed sales drop by over 50 per cent while tractor manufacturers have already lost 30 per cent of their budgeted sales.

Companies even more closely connected with dairy farmers have suffered what could well turn out to be terminal blows.

All this, and much more to follow, as a result of the impetuous and injudicious decision by the EEC leaders to enforce quotas. *This confusion has been* exacerbated by the total unpreparedness of the farming institutions to cope with such political folly.

The full knock-on effect of milk quotas has yet to be seen and it will be with a wry smile that one reads your headlines drinking public of a shortage of milk for human consumption in Britain as a direct result of this political ineptitude.

Anthony Rosen,
Moor Hatches,
West Amesbury, Wilts.

Taking a position

From Mr L. Staden.

Sir,—Stefan Wagstyl's article (June 30) on switching from the UK Gilt market into the U.S. Treasury Bond market gave us some amusing implied exchange rates, but failed to assess the nature of foreign exchange risk.

A switch of under 15 years maturity would lose money if the exchange rate were to rise above $2.00. As it is only three years since the dollar was last at this level, we must look to the very long end to guarantee our profits.

Consider a 30-year switch from Exchequer 12 per cent 2012-17 into the long bond; this would require an exchange rate of $2.93 before it went wrong.

Unlikely, yes, but not really the point. The Salomon breakeven figures for the German and Swiss markets, on ten-year switches, are DM 1.68 and SFr 1.01. This does not mean that these are the expected rates, it just illustrates how risk-averse long term investors are when it comes to foreign exchange. If Swiss investors are prepared to forgo premiums of up to 8.7 per cent on relatively short bonds, why should a UK fund take a 30-year position in the foreign exchange market on the strength of a meagre 2.6 per cent differential?

Lawrence Staden,
31 Sun Street, EC2.

Workplace ballots

From the National Officer, Electrical Electronic Telecommunications and Plumbing Union

Sir, — The superficial appraisal of the recent Transport and General Workers General Secretary's election by Phillip Bassett (June 30), uses the alleged return of 39 per cent as the sole yardstick of democracy. On this basis, Soviet elections are more democratic than British elections.

Far from shedding new light, such systems of election perpetuate the murky shadows of the rotten borough system, from which modern electoral practices emerged.

At every stage in the election procedure in the Transport and General Workers' system it is wide open to abuse. It is more open to abuse than even the system which applied in the well-known ETTPU ballot-rigging scandal. A brief summary of the defects of the election procedure used are as follows:

There is no central register of members on which ballot papers are issued to branches. Votes recorded at branch meetings, which is part of the Transport and General Workers' procedure, can be grossly inflated. Voting papers collected by trade union representatives in bulk from the branch for distribution at the workplace (a major feature of the Transport and General Workers' procedure) may never reach the voter. There may be, and usually is, bias in any distribution which does take place. Some are highly pressurised, while more discerning members can be ignored. Unacceptable papers can be destroyed, switched or supplemented, and if not at the workplace, at any of the collating and counting points in the return journey to head office. In the Transport and General Workers' election there were nearly 1m unused papers floating about within the system with no independent supervision at any of the many stages of distribution or return. No wonder cries of "foul" are loud and frequent, and already instances of alleged abuse are being cited. The Bristol Evening Post has reported new membership cards being issued already franked as having voted.

Legal redress as argued by John Selwyn Gummer in defence of such ballots is costly and largely impractical, for other reasons.

Workplace ballots contain within their essential procedures, the very seeds of malpractice. What court can decide the point at which pressures to vote for one, and restraints on access to information or ballots in relation to another, become fraudulent, especially where it can be argued that the members' complaint springs mainly from his own inertia or indifference?

A person denied a vote for a candidate he does not know in an election he is unaware is taking place, suffers no feeling of loss, nor is he likely to rush to courts against practices which are seen as inseparable from the election methodology employed. To prove abuse could prove as difficult as pinning a globule of mercury to a pane of glass.

Comparing such workplace elections favourably against the postal balloting system used in the EETPU, where the only factor taken into account is the *alleged higher turnout* in the former, without regard to any of the other essential considerations, is misleading in the extreme.

If the Government lends its authority to workplace ballots, the credibility of such procedures will be enormously strengthened and the fight for the only practical alternative, namely secret postal voting, will suffer a heavy reverse.

In Mr Chapple's words: "It may be too much for the TUC to ask its mixed bag of affiliates to favour postal ballots. The Government can afford to be less mealy-mouthed."

P. McMahon.
Hayes Court,
West Common Road,
Bromley, Kent.

There still is . . .

From Mr S. Lyon

Sir,—The demise of "Titbits" reminds me of an occasion in the 1950s when I was catching a train from Euston to Liverpool. The man in front of me in the queue at the bookstall asked the assistant: "Ave yer got Titbits?" No, he hadn't. "Well, then, 'ave yer got t' Financial Times?" Was your page three someting special in *those days?*

Stewart Lyon,
Cuerdale, White Lane,
Guildford, Surrey.

FINANCIAL TIMES

Tuesday July 10 1984

RATE RISE MAY BRING FURTHER SETBACKS

Hong Kong stocks slide steeply

BY DAVID DODWELL IN HONG KONG

SHARE PRICES on Hong Kong's stock market slid steeply yesterday as the colony's business community came to terms with an unprecedented 3¼-point prime lending rate increase introduced on Friday night. The increase, an emergency move to prevent a collapse of the local currency, lifts the prime rate to 17 per cent.

The Hang Seng index ended the day down 49.26 points, at 773.60, with stock market operators forecasting further falls in the days ahead. The index has dropped to its lowest level since September last year, when panic selling took it down to 690 points. The index is now 400 points below its 1984 high.

Hong Kong's financial authorities yesterday took bleak comfort in the fact that the Hong Kong dollar had stabilised in the area of HK$7.85 to the U.S. dollar, compared with falls on Friday to HK$8 to the American unit. That, however, was at the cost of interbank rates' soaring to between 35 and 40 per cent for overnight money.

Senior bankers considered that the squeeze might continue for several days before the local currency was brought back to the HK$7.80 level at which it has been pegged against the U.S. dollar since October 17 last year.

Stock market operators took comfort from the prompt, decisive action by the colony's monetary authorities to protect the currency on Friday night. Talk of the authorities' lacking the means or the will to defend the dollar at that level have now subsided.

However, speculation is still strong that interest rates are set to rise further in the U.S., with all eyes focused on the meeting of the U.S. Federal Reserve board early next week. As a result, upward pressure of Hong Kong interest rates is unlikely to subside in the near future.

Exact reasons for Friday's collapse have still not been found. It has been clear for several weeks that the progressive strengthening of the U.S. dollar against currencies worldwide was creating problems for Hong Kong's monetary authorities, and putting the pegged rate under strain.

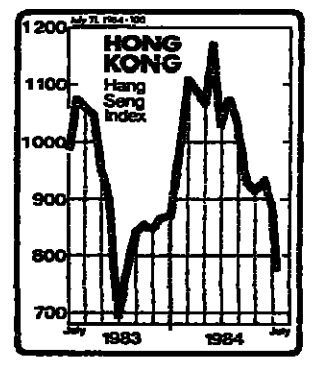
Once the run occurred, the overriding bearish mood in Hong Kong's financial markets took over, and, in turn, took its toll on the stock market yesterday. It has become clear to Hong Kong people that the secret Sino-British talks over the colony's future have reached a critical stage, with important differences remaining between the two sides.

Political uncertainties about the fate of the talks have dominated the stock market for many weeks. That is likely to continue at least until September, when an agreement between China and Britain is to be signed.

Commenting on Friday's interest-rate increases, one senior Hong Kong banker insisted the move was "an emergency response to an emergency situation." He added: "Once it is clear that the situation has stabilised again, local interest rates are likely to come back down very fast."

Stock market analysts seemed less sanguine. One noted: "The Hong Kong dollar certainly strengthened from Friday lows, but not to the extent that people feel comfortable."

Like other operators, he was not convinced that the market had yet touched the bottom: "It is all a matter of political confidence at the moment," he said. "With all of the uncertainties around us between now and September, there is certainly no good reason for buying shares at present prices."



Most stockbrokers agreed that further falls into a range of 700 to 730 on the Hang Seng index were likely.

Stockbrokers were, nevertheless, consoled that the market had remained composed. One said: "Compared with the crisis that was in the air of September last year, the mood is nothing like as bad. It is more a matter of indifference."

Preparing for a storm, Page 4; Market report, Page 27; Leading prices, Page 30

Strikes at bases add to strain in Greek-U.S. relations

By Andriana Ierodiaconou in Athens

PERSISTENT STRIKES by Greek workers at the four U.S. military bases in Greece may be causing second thoughts in Washington about a $200m project to update base facilities, according to American officials.

The project was discussed during a visit by Mr Caspar Weinberger, the U.S. Defence Secretary, to Athens in April.

Since then, nothing has been heard of the plan. "We suspect it is linked to the outcome of the base strikes," one American official said.

Members of the main Communist-controlled union representing the 1,600 Greek employees at the bases have been on strike since July 2. Tension has been particularly high at the Hellenikon air base east of Athens, where strikers have reportedly been interfering with the entry of U.S. military personnel and Greek workers not on strike.

American anger at police failure to curb the strikers has contributed to the impression that Greek-U.S. relations are currently at their lowest ebb since the Socialist Government of Dr Andreas Papandreou came to power in 1981.

The Greek base workers' union has been striking sporadically since the autumn of 1982. Workers are demanding a retroactive revision of promotion scales, and the introduction of index-linking of wages and a 37½-hour week, as in the public sector.

American officials calculate that meeting those demands would mean an immediate bill of about $4m.

A Greek arbitration court ruled in favour of the union's demands last December, but the Americans say that under the 1960 agreement governing the status of Greek base employees, work terms and conditions must be settled through bilateral Greek-U.S. talks.

American officials are now hinting that Washington, as a reflection of poor relations with Athens, is in no mood to rush into talks of this kind.

No date for the start of talks has yet been set and they ruled out giving in to the union demands.

Reginald Dale, U.S. Editor, adds from Washington: The Reagan Administration was reported yesterday to be planning to block a Greek attempt to acquire surplus American-built F-5 fighters from Norway, largely to show disapproval of what it regards as the Papandreou Government's lax attitude towards terrorism.

Washington was also said to be angered by what it considered to be the continuing anti-American tone of remarks made by Mr Papandreou and other members of his Government. U.S. officials said that most or all of the 16 F-5s would probably now go to Turkey, placing further strains on Greek-American relations.

They added, however, that the final decision, which is expected in the next two weeks, would have no bearing on Greece's request to buy new F-16 or F-18 fighters, which would be financed with U.S. credits.

The U.S. has been particularly irritated by Greece's recent release of an alleged Jordanian terrorist, who was suspected by American and British intelligence of planning to blow up an airliner.

The terms under which Norway acquired the F-5s 10 years ago stipulate that the aircraft may not be transferred to another country without U.S. permission.

U.S. officials said that Turkey had been the first to ask for the aircraft, which would be provided free of charge. Turkey had a much greater need to modernise its air force and less money to do so than Greece.

THE LEX COLUMN

Sterling halted at the quayside

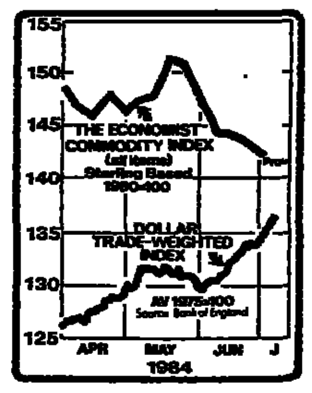
The arrival of a national dock strike like a bolt from the blue last night left the stock market conspicuously short of a ready reckoner for the occasion. Fast shooting economists were quick on the draw with statistics on the impact of the two-week dockers' strike in the mid-summer of 1972. These leave no doubt about the potential risks of this latest banana skin for the Government: exports fell in 1972 by a seasonally adjusted 33 per cent between July and August. This had little or no apparent effect on the financial markets at the time, however, where equities, gilt-edged and sterling felt no interruption to a sharply upward trend.

It might be rash to deduce from the muted reactions of last night's London markets that the same will apply this time round. For not only is the City of London already accommodating itself to the coal dispute, and the routine uncertainty of this week's Opec conference; but it is caught these days in an equivocal state of mind about the underlying trend of its markets. Indeed, the not unfamiliar predicament of the financial community over a run on sterling looks more and more like an acid test of market psychology – more precisely, of whether the bull market has any life left in it.

Undermined

As it happens, similarly critical stages have been reached in many of the world's financial centres. The bogey in almost every case is, of course, the loutish behaviour of the U.S. dollar. This, more than local problems of industrial relations is the real background to the slide in the pound, even though sterling has lately cut less than a dash against most other currencies. The same applies wherever non-dollar financial assets are finding themselves undermined by the strength of the U.S. currency: commodities, gold and non-dollar paper assets are all creaking ominously.

Nowhere has this been better exemplified in the last few days than in Hong Kong. The colony is again beset with political uncertainty, telescoping the perspective in which the markets now view its future. To have pegged the HK dollar to its U.S. namesake, though, now looks an expensive way of trying to shore up confidence in the Hong Kong markets. Overnight interest rates of something like 35 to 40 per cent – and primes of 17 per cent – may hold the peg, but they leave the manufacturing recovery on the floor. The effect on property companies has been re-examined repeatedly since the onset of Hong Kong's bear market in 1982. The problem now is that the dollar and the People's Republic together make successive defences of the currency prone to diminishing returns – although that will inevitably be signalled by Hong Kong's stock markets rather than the foreign exchanges.



This is clearly not the case in London. The short-lived benefit to sterling of last Friday's base-rate increases suggests that the UK authorities may now be unequipped to deal with the challenge presented – however unwittingly – by the Federal Reserve. The composition of the most recent money figures betrayed a heavy flow of foreign deposits out of the UK money supply. The parallel weakness of the Swiss franc perhaps indicates that distressed U.S. banks have been picking on the more liquid international markets in which to unload salable non-dollar assets.

Illiquidity of another kind meanwhile looms large over the international gold market. The 33 per cent fall in the FT gold shares index since March has brought this market back from the upper atmosphere; but set alongside the 17 per cent decline in gold bullion over the same period it looks no more than the kind of correction decreed by the normal arbitrage between the two markets. The simultaneous 26 per cent decline in the rand – cutting back the value of South African dividend's to U.S. investors – and the obvious decline in gold's attraction in view of high real interest rates both suggest a sharper fall in gold shares might have been in order.

In fact, gold-mining shares seem to have been protected by the ring which has closed around their ownership. Some 85 per cent of the present market float of South African gold mines is now held by no more than 60 or so companies. Of these, 40 are international gold funds which appear to have sold their shares rather less readily than individual investors used to. If they were now to find themselves obliged to sell – not least under the pressure of unit redemptions – traffic in the international gold market could turn into the classic one-way street.

Oversupply

The economics of gold mining suggest that the oversupply of gold is unlikely to abate. This is the more so since the real cost of holding metal under today's interest rates is once again becoming an undeniable deterrent – a yawning contrast with the situation 10 years ago when gold shares offered a real return and U.S. Treasury Bonds did not. The speed of the fall in both shares and bullion must leave open the possibility of a technical rally in the near term. But the only thing which can make a lasting difference would be a reversal of those forces which continue to fuel the dollar.

What the gold markets really need is the long fabled sudden collapse of the dollar; a slow depreciation of the U.S. currency might have little effect, since it would not necessarily deter investors from the bond market. As for sterling, in the short term, still higher UK real interest rates may offer some relief. Even those might be of no avail if the transatlantic yield differentials were to be reinforced at this stage by political complications. But this is just what the market now has before it.

Canada sets date for poll

By Bernard Simon in Edmonton

A GENERAL election will be held in Canada on September 4, the country's new Prime Minister Mr John Turner said in Ottawa yesterday.

The announcement ends speculation that he would call a snap poll to capitalise on a surge in public support for the ruling Liberal Party.

Mr Turner also announced that the Queen had postponed her trip to Canada, due to begin this Saturday, until late September.

He discussed the royal tour with the Queen during a brief visit to Britain last weekend.

According to Mr Turner international and domestic economic problems make an election necessary. "We need a renewal of confidence and certainty in this country," he said, referring to Canada's double-digit unemployment rate, rising interest rates and the Canadian dollar's decline to record lows.

He said the Government required "a clear and fresh mandate" to deal with these problems.

The election is the first since the Liberals were returned to power in early 1980 after the brief tenure of a Progressive Conservative government headed by Mr Joe Clark. The Liberals have governed Canada for 42 of the past 50 years.

They trailed far behind the Conservatives in opinion polls in the past year or two, as a result of unpopular economic policies and the autocratic style of Mr Pierre Trudeau's government.

But Mr Trudeau's retirement and the election of Mr Turner as party leader last month have boosted Liberal fortunes. The Liberals are running slightly ahead of the Tories in the polls.

In the present parliament, the Liberals hold 139 seats, the Tories 100 and the socialist-leaning New Democratic Party 31. There are 11 vacant seats and one independent. The election campaign is likely to be dominated by economic issues,

BIS warns against further rise in interest rates to curb dollar

BY PETER MONTAGNON IN BASLE

"MASSIVE INCREASES" in European interest rates would be needed to stem the dollar's rise on foreign exchange markets, said central bankers attending the Bank for International Settlements' (BIS) monthly meeting in Basle.

Recent efforts to raise interest rates in several European countries have been insufficient to stop the dollar's advance. Further sharp rises would be politically unacceptable because economic recovery would be put at risk, they said.

Consequently, the central bankers said they were resigned to the dollar's strength, although its recent rise had added to the volatility of the markets. This made them even more convinced that the dollar's eventual fall would be dramatic.

Senior central bankers said their discussions had, in fact, touched only lightly on the foreign exchange market. The question of concerted intervention to depress the U.S. currency had not been raised, they said.

The bankers said they spent much of yesterday afternoon discussing the outlook for September's International Monetary Fund (IMF) annual meeting with Mr Jacques de Larosiere, the IMF managing director.

Mr de Larosiere, who was visiting the BIS as part of a scheduled European tour, told the bankers that he did not expect to seek a further loan from them to boost the IMF's financial resources. Last winter central banks of leading industrial countries agreed to lend the IMF 3bn ($3.06bn) in special drawing rights (SDR).

The IMF's resources are now reasonably comfortable, especially since it has not yet had to extend loans to threee potentially large debtors – Argentina, Nigeria and Venezuela – which had been expected this year.

Mr de Larosiere, who met Sr Bernardo Grinspun, Argentina's Economy Minister, in Italy over the weekend, said it was still too early to speculate on when that country would reach an IMF agreement.

He also said that an IMF facility to compensate debtors for high real U.S. interest rates was not under discussion. Such a facility was requested by Latin American debtors at their conference last month in Colombia.

Today the BIS is expected to name a new president to succeed Dr Fritz Leutwiler.

Guardian Industries chief in buyout bid

BY PAUL TAYLOR IN NEW YORK

GUARDIAN Industries, a leading U.S. flat glass manufacturer, said yesterday that Mr William Davidson, president and chief executive, planned to offer $24 a share or a total of about $305m for the 57.6 per cent of the company he did not already own.

Mr Davidson, who has led Guardian's successful expansion into Europe through its 70 per cent-owned Luxembourg subsidiary and the recent acquisition of a 48 per cent stake in a Spanish glass manufacturer, owns 42.4 per cent of the Michigan-based company's 22.1m shares. The proposed deal values the company at $530m compared with a book value of around $210m.

Yesterday Guardian said Mr Davidson had begun negotiations with 10 other large shareholders who together owned 4.4m shares. Those shares, which are thought to be owned by other directors, would be purchased for cash and securities worth $24 a share, while Mr Davidson would purchase all the remaining publicly held shares for cash only.

The offer, details of which have yet to be finalised, will be presented to Guardian's board and would be subject to various conditions, including financing arrangements, debt restructuring and an agreement with the 10 biggest inside shareholders.

Guardian, a manufacturer of glass products for the construction and car industries, has grown rapidly in recent years. Last year the company reported revenues of $469.6m against $408.5m in 1982 and just $200m five years ago, and had net profits of $38.1m compared with $33.6m in 1982.

Chance for Air Florida to fly again

By Our Financial Staff

A MIAMI bankruptcy judge ruled yesterday that Air Florida, the American airline that filed for debt protection under Chapter 11 of the U.S. bankruptcy code last week, can use up to $4m of accounts receivable in the next two weeks to try to get flying again. Air Florida ceased operations last Tuesday.

The Federal Aviation Administration, Air Florida's largest secured creditor, opposed the request.

The judge also ruled that Air Florida must return two of the three Boeing 737 aircraft it is leasing from Guinness-Peat Aviation, another secured creditor.

This decision means Air Florida now has nine aircraft.

The airline is understood to have intended to ask permission to use up to $27m in accounts receivable to get some of its aircraft flying again.

In its Chapter 11 bankruptcy petition the airline reported assets of $145.2m and debts of $221.4m, including secured debts of $140m. The FAA is owed $56m, secured by loans on three 737 airliners and the receivables.

Air Florida's largest unsecured creditors include InterFirst Bank of Dallas, owed $32m and Boeing, owed $30m.

Airline officials have said they want to resume their profitable Miami-London service and selected domestic and Caribbean routes.

UK dockworkers call national strike

Continued from Page 1

Yesterday's move by dockers' leaders took many people by surprise. Attention had been focused on the talks in the coal dispute. The local issue at Immingham had generally been overlooked and the dockers' threat of a national strike, made in April, had been largely forgotten.

To the transport union, however, it was simply a matter of enacting automatically its policy of national industrial action in the event of any attempt to breach or interfere with the dock labour scheme.

Mr John Connolly, the union's national secretary for docks and waterways, laid the blame at the door of British Steel. He said the corporation had been asked on three occasions last week to delay its shipments of ore to Scunthorpe until after yesterday's coal dispute talks.

The union says the loading of ore at Immingham is indisputably the work of registered dockers under the labour scheme. British Steel says everything it has done at Immingham has been covered by "existing agreements."

The National Association of Port Employers said it was appalled at the union's decision to strike. Whether or not the labour scheme had been breached was a matter for the scheme's National Dock Labour Board to decide, the association said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	24	75	Malaga	S	27	81	Salzburg	S	29	84
Akrotiri	S	26	79	Faro	S	25	77	Malta	S	27	81	Seoul	C	27	81
Algiers	S	38	100	Florence	S	30	86	Manila	S	34	93	Singapore	R	38	98
Amsterdam	S	24	75	Frankfurt	S	30	86	Miami	C	31	88	Stockholm	S	25	77
Athens	F	25	77	Funchal	F	23	73	Milan	S	27	81	Strasbourg	S	30	86
Bahrain	S	37	99	Geneva	S	30	86	Moscow	F	22	72	Sydney	C	15	59
Bangkok	S	33	91	Gibraltar	S	31	88	Munich	S	26	79	Taipei	C	30	86
Barcelona	S	27	81	Guernsey	F	17	63	Nairobi	-	—	—	Tangier	S	27	81
Beirut	S	27	81	Helsinki	S	22	72	Naples	S	27	81	Tehran	-	—	—
Belgrade	F	24	75	H. Kong	R	26	79	New Delhi	R	34	93	Tel Aviv	S	29	84
Berlin	S	27	81	Innsbruck	S	29	84	New York	S	25	77	Tenerife	S	30	86
Biarritz	S	23	73	Inverness	S	22	72	Nice	S	26	79	Tokyo	C	29	84
Blackpool	F	20	68	Istanbul	F	23	73	Oporto	C	20	68	Toronto	C	22	72
Bordeaux	S	26	79	Jersey	F	20	68	Oslo	F	21	70	Tunis	S	31	88
Brussels	S	29	84	Jo'burg	C	13	55	Paris	C	28	82	Valencia	S	30	86
Budapest	F	25	77	Las Palmas	S	25	64	Prague	S	25	77	Venice	S	24	75
B. Aires	C	15	59	Lima	C	20	68	Reykjavik	S	15	59	Vienna	S	24	75
Cairo	C	33	91	Lisbon	S	22	72	Rio de J'o	C	29	84	Warsaw	F	23	73
Cape Town	-	—	—	Locarno	C	26	79	Rome	S	27	81	Zurich	S	29	84
Caracas	C	27	81	London	F	20	68								
Casablanca	S	24	75	Los Angeles	C	34	93								
Copenhagen	S	21	70	Luxembourg	S	28	82								
Corfu	S	26	79	Madrid	S	33	91								
Dublin	D	16	61	Majorca	S	34	93								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BNP taps market for FFr 1.5bn

Continued from Page 1

government decided to open 10 per cent of its capital to the public, primarily by allowing employees to own shares.

Since the Socialist government took power, BNP's FFr 1.6bn equity capital has again reverted entirely into the state's hands. M Thomas said the TP issue would allow outside investors again to "participate" in the consolidated profits of the bank, a third of which come from foreign operations. He claimed that the issue had all the characteristics of a share offer apart from the lack of voting rights.

The BNP transaction represents the seventh issue in a series of TP launches by nationalised banks this year. The previous largest was FFr 1bn for Banque Indosuez.

The exact yield will vary between 85 and 130 per cent of average French bond market interest rates. It embodies a fixed portion made up of 35 per cent of bond yields and a floating part equivalent to 33 per cent of the increase in the bank's future group net profits compared with 1983.

Last year's group net profit, after small adjustments, which will serve as the base for the TP index, was FFr 1.52bn, showing an annual average increase of 20 per cent over the past six years – although M Thomas admitted growth had tailed off over the past two years.

The BNP issue is expected to be particularly favoured by institutional investors

M Thomas, like other French nationalised bankers, has placed considerable emphasis in recent months on the need to strengthen capital resources. He said yesterday that the banks' nationalised status had led in the past to lower capital ratios than those in other countries. "But I do not wish to escape from the general desire to improve ratios," he said, adding that this desire "very well understood" by BNP's state shareholder.

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FINANCIAL TIMES
Tuesday July 10 1984

Missouri banks to merge in $230m consolidation move

BY PAUL TAYLOR IN NEW YORK

BOATMEN'S Bancshares, the St Louis, Missouri-based bank holding group that ranked as the 97th largest bank in the U.S. in terms of year-end assets, is to acquire Chartercorp of Kansas City, Missouri, for about $230m in cash and shares.

The merger would make Boatmen's the largest commercial bank in Missouri, with 45 subsidiary banks and assets of more than $6bn, ranking it among the 60 largest banks in the U.S. The move is seen as part of a continuing trend of consolidation among smaller regional banks ahead of any changes in Federal and state banking laws which would allow the main U.S. banks to establish interstate banking operations.

Chartercorp owns 27 banks with assets of about $2.7bn, while Boatmen's owns 18 banks with assets of about $3.4bn.

The merger, which Boatmen's said it expects to complete in the 1985 first quarter, would boost its capital to $400m and raise its maximum lending limit per customer to around $60m from about $27m, enabling the bank to compete more effectively for important corporate business.

A number of states, led by New England but also including Missouri, have been considering reciprocal banking laws that would allow out-of-state banks from states with similar laws entry into the local market.

Under the terms of Boatmen's offer, Chartercorp's shareholders would receive $5 in cash and nine tenths of a share of Boatmen's common stock for each of Chartercorp's 7.8m shares outstanding. In over-the-counter trading on Friday, Boatmen's stock closed at $27 a share, unchanged.

U.S. software pioneer struggles to survive

BY LOUISE KEHOE IN SAN FRANCISCO

VISICORP, the U.S. personal computer software company credited with starting the microcomputer software industry in 1978 with its introduction of a speadsheet program called VisiCalc, is struggling to survive a dramatic reversal in its fortunes.

The company gutted its workforce last week by laying off 70 employees, leaving a staff of just 55 executives and key people. Mr Terry Opdendyk, the company's long time president and chief executive, has also resigned.

VisiCorp is also involved in a legal battle with the creators of VisiCalc, Software Arts Corporation.

VisiCorp has sued Software Arts, claiming that the programming company failed to deliver an updated version of VisiCalc on time. In response, Software Arts has sued Visicorp, claiming that the company failed to use its best efforts to market the speadsheet program.

Software Arts has also begun selling its own version of VisiCalc.

VisiCorp's problems have been exacerbated by slow sales of its newer Visi-On series of integrated programs. VisiCorp plans to reduce prices of Visi-On programs and is expected to make a desperate effort to maintain its image as an industry leader at the National Computer Conference in Las Vegas this week. New product introductions are planned, the company says.

CBS to discontinue video disc production

By Our New York Staff

CBS, the U.S. broadcasting, recorded music and publishing group, said yesterday that it will stop manufacturing CED video discs in the wake of a sharp decline in demand for the discs following RCA's decision earlier this year to end production of video disc players.

CBS said that the decision will result in a second quarter charge of $15.7m or 53 cents a share, but the company said this will be more than offset by a $16.6m or 56 cents a share gain from a New York land sale.

The company, which has manufactured the video discs at its Carrollton, Georgia, plant since 1982 said that "contrary to initial expectations" the RCA decision, announced in April had resulted in a "substantial" decline in demand for the discs.

In addition, CBS said that because of strong demand for its records and tapes, space at the Georgia plant now devoted to video disc manufacture is needed to increase production of audio products. The company said that in the first six months this year the Carrollton factory's output of records and audio cassettes increased by 54 per cent to 77m units from 50.1m units in the same period last year.

Apple exceeds forecast

By Our Financial Staff

APPLE Computer, the California-based personal computer manufacturer, has exceeded a forecast of 25 cents per share earned on sales of $400m in the third quarter, Mr John Sculley, the company's president, said yesterday.

Mr Sculley said sales for the quarter ended June 30 were at least 50 per cent above the previous year.

Carla Rapoport in London charts the decline of the world's biggest drug company

Hoffmann-La Roche revives its assets

ON MAY 14, 1975, Mr Richard Yorke, QC, drew himself up before a special committee of Britain's House of Lords and accused the Department of Health and Social Security of acting "as God."

Price cuts on drugs, he thundered, would "drive out of business the largest ethical pharmaceutical company in the world."

Hoffmann-La Roche eventually reached an out of court settlement with the Government on that case; it was even allowed to raise its drug prices subsequently. But since that time Mr Yorke's "largest ethical pharmaceutical company in the world" has slipped to ninth place in the world league of ethical drug companies. It has been a drop for which roche can blame no one but itself.

Roche's story – the decline of the most successful drug company in history – is a cautionary tale about the perils of success. Success led the company to neglect its two most precious assets: its image and its portfolio of future products.

Mr Fritz Gerber, chairman of Hoffmann-La Roche, recently put his hands together on his clean, large desk and looked out over the Rhine. "There was an arrogance with the success. Roche was taken by surprise and was not ready for it. This might have created some kind of over-built self confidence. The company isolated itself, it became more conservative and probably quite litigious.

"There was an I couldn't care less' attitude to many outsiders which gave the company the completely wrong image." he said. The words were clearly difficult for him. A lawyer by training and a deeply patriotic Swiss, Mr Gerber added: "It is cheap to criticise. I have enough time to get things right. I am young enough."

Mr Gerber is a persuasive spokesman for the changed order at Roche. He seems to speak from the heart, as if he has not yet learned his lines from a multinationals' guide to bland remarks. But at 55 he has his work cut out.

For while Roche has been plagued by problems, its competitors have been thriving. Hoechst of West Germany has acceded to the throne as the largest ethical pharmaceutical company in the world, through a policy of aggressive acquisition, widening both its product range and marketing scope. Merck, Pfizer and Eli Lilly of the U.S. have all handsomely surpassed Roche in sales and profits by capitalising on specialities such as heart drugs, antibiotics, and anti-arthritics.

It is now nearly 30 years since Roche' famous tranquillisers, better known as Valium and Librium, were discovered. In the intervening years, Roche has lavished the Valium receipts on scientific research, pouring some SwFr 6bn to SwFr 8bn ($2bn to $3.4bn) since 1970 into almost every possible area of biological interest.

The results have not been exciting in commercial terms. The fault has been two fold. The success of Roche's tranquillisers had created an impossible benchmark for the group; anything less remarkable was not considered worthy of large-scale development. On the other hand, the huge research budgets meant that any intriguing scientific idea was encouraged.

"Once you have a best-seller that sells 1m copies, a second book that sells 10,000 copies gets you no applause, " says Mr Gerber. "Valium created a level of research expectation that was so high, we had a blank for new products." Roche's blind alleys included an expensive search for a new birth control pill and the development of a promising beta-blocker which was never launched, basically because of the group's inexperience in the cardiovascular arena.

Roche soon found itself with a maturing superstar and no encore. Patents for Valium and Librium began expiring in the mid-1970s and net profit margins (which Roche began to reveal in 1975) fell from an estimated 16 per cent in the early 1970s to 3.7 per cent in 1981 and 4.4 per cent last year.

At the same time, Roche found itself facing an increasingly hostile public. Some of the problems fell from the sky, others the company created. But the sum total was a public relations nightmare from which the company is just beginning to emerge. Briefly, the troubles included:

- In 1976, an explosion at a Roche subsidiary's plant in Seveso, Italy, sprayed particles of the toxic pollutant dioxin over the Italian countryside. Although no one died, the incident left a lingering taint on the group's image.
- Confidential information leaked by a Roche employee, Stanley Adams, in 1974 led to a lengthy EEC investigation of charges of giving fidelity pricing contracts to large customers.
- The prosecution of Stanley Adams, a former Roche executive, by the Swiss police for violation of industrial secrecy laws, led to his imprisonment and fines. This helped turn Adams into a martyr. His recent book on the affair condems Roche as a secretive and ruthless multinational.
- By the late 1970s, the very success of Valium began to cause problems for Roche. The product was found by a number of doctors and scientists to be addictive if taken over several months. At the same time, many doctors became dependent on it, heavily prescribing the tranquilliser in order to clear their waiting rooms of anxious patients.

The backlash became a serious problem for Roche and many executives are now quietly critical of the way these and other troubles were handled. The potential problems caused by long-term use of Valium should have been communicated directly to patients, as well as doctors, they say.

Roche, they add, should not have contested the British Government in the House of Lords on Valium price cuts. "You can't treat governments like employees," says Mr Gerber. Fidelity contracts for large customers have long since been dropped.

But a broken image is difficult to mend. A few years ago, an explosion at a Roche plant in Lyons killed a worker and released potentially dangerous chemicals. "I chartered a plane and stood on the site all day," says Mr Gerber. "We evacuated all the people nearby and I visited them all." The incident, he says, received almost no international attention, vindicating swift action.

But then, last spring, 41 barrels of dioxin from Seveso went missing while in the care of a company Roche had contracted to dispose of the waste. "We had a contract, but that didn't matter," says Mr Gerber. The chairman and top officials spent nearly three months dealing with European outcry over the missing barrels.

"Once you are in this corner, how do you get out?" he asks. On the intangibles of image, Mr Gerber is still seeking advice from his top officials. From a business point of view, Roche, however, is on the move.

The group has set its priorities in research and dropped peripheral programmes. In order to capitalise on what it knows, Mr Gerber now says firmly the group's most important research area is the central nervous system, with projects aimed at finding sedatives without addictive side effects, and products which could specifically treat depression or schizophrenia.

Second to its central nervous system work, the group is concentrating on dermatology and anti-infectives. It has also included cardiovascular research and tropical diseases among its research priorities.

New products, Mr Gerber hopes, will boost the ethical pharmaceutical contribution to sales and profits back up to more than 50 per cent from around 40 per cent at present. But he is also encouraging a change in selling drugs.

For example, Roche's dermatological products for psoriasis and severe acne must not be taken by pregnant women for fear of serious side effects. The company almost decided against launching the products, for fear of a consumer backlash. Instead, it has launched its first major patient education campaign to accompany them, starkly explaining the potential dangers to woman patients.

According to Mr Andreas Leuenberger, vice-chairman and a possible heir to Mr Gerber: "We had to learn something from the Valium experience. We have to try to go much earlier to the consumer or patient in some way or another."

From a financial point of view, Mr Gerber is slightly critical about Roche's history of financing all its expansions from internal funds. Subject to changes in Swiss law, he says the group is studying methods for increasing its tight shareholding and then seeking recourse to capital markets like other large multinationals.

The Roche tradition of holding all of its products to itself and shunning licensing and joint venture deals is also falling by the wayside. This practice hampered its development in several European countries as well as in Japan and the Far East generally.

In understanding Roche's past 10 years and its efforts to do better, it is probably important to consider the company's homeland. "Take a close look at the Swiss," says Mr Gerber, who was reared in the Emmental region. "We have heavy tongues, if that translates to English. We hesitate to make big statements. We are not good enough at selling our good things. But I put my job on the line. We must create confidence."

He pauses for a minute. "The world should not have to adapt to the Swiss."

HOFFMANN-LA ROCHE, working through a U.S. subsidiary, has taken over American Diagnostics, of Newport Beach, California. This company, which the Basle group bought for $12.5m, will be integrated into Roche's diagnostics division. The Californian company is a producer of reagents, particularly for use in drug-abuse treatment, and instruments for medical diagnosis.

Reviving an old gold mine in Sudan

By George Milling-Stanley

"WE'VE found a gold mine. I know what a gold mine is, I don't need a consultant to tell me," says Mr Stanley Eskell somewhat testily.

Although his tongue was in his cheek more often than not during the conversation—no easy task when you are tucking into sole meuniere at one of London's premier fish restaurants—Mr Eskell clearly finds his relations with Robertson Research International, the geological consultants, who set up the mining company of which he is managing director, a little restricting at times.

Robertson Research, a highly-respected group of geological consultants providing services to the international natural resources industry, launched the mining company, Greenwich Resources, last February through a C$10m (U.S.$7.58m) issue of shares ad warrants. The consultants retained a stake of 22 per cent in Greenwich.

The mining company last week announced that a programme of exploration had confirmed earlier estimates of reserves of over 150,000 tonnes of ore grading an average of almost 40 grammes of gold per tonne (40 parts per million) at the old Gebeit gold mine in the Sudan.

This is extremely rich by world standards, with even the best gold mines in South Africa operating at only between 12 and 15 grammes per tonne.

Encouraging

Robertson Research, which is carrying out the exploration work on behalf of Greenwich, commented with characteristic caution that the results were sufficiently encouraging to merit a pre-feasibility study on the possibility of mining the deposit, to be followed later by a full economic feasibility study.

Mr Eskell is more bullish. Drawing on his many years of experience of operating a low-tonnage, high-grade gold mine in New South Wales in his native Australia, he estimates that the six square kilometres of the Gebeit lease area could contain as much as one million tonnes of ore at an average grade of around half an ounce of gold per tonne, or a total of half a million ounces.

These estmates could turn out to be on the conservative side. During one 20-year period of its life, the Gebeit mine produced 83,000 oz of gold from the treatment of 68,000 tonnes of ore at an average of 38 grammes per tonne.

Gebeit has a long, though much-interrupted, history. Opened 3,000 years ago to provide gold for the Pharaohs of Egypt, it was subsequently operated by Greeks, Romans and even Britons. The last British manager chose to be buried at the site.

Mr Eskell has no intention of being buried at Gebeit, whether it be under the desert sands of the Red Sea Hills in which the mine is located, or under red tape from his sponsors.

Nevertheless, he refuses to be drawn into making any firm prediction as to whe nhe might start producing gold from the mine, saying only that it could be as soon as 18 months from now.

Water problem

What really excites his about Gebeit is one zone of extremely rich ore, containing 44,260 tonnes at almost 3 oz of gold to the tonne. The gold content of this area alone is worth almost $50m at the current price of around $370 per ounce.

This lode could be mined out by a small scale operation in two years or so, providing funds for the development of the whole deposit.

The mining and especially the processing of gold-bearing rock requires immense amounts of water, with a small operation running at 200 tonnes a day using 150,000 gallons every operating day. In the Sudanese desert, this might be expected to pose a problem, but Mr Eskell is confident.

"We are currently pumping 60,000 gallon of water out of the old Gebeit workings every day, and that will go a long way towards meeting our water requirements," he says.

Another potential threat, especially in a country which has recently taken a massive lurch towards Islamic fundamentalism, is the chance that Western capitalism may suddenly find that its welcome has run out.

Not possible in this case, avers Mr Eskell, citing the fact that the Sudanese Government has a 50 per cent stake in the Gebeit venture, and would not relish seeing all the preliminary work go to waste.

Another problem a gold mine has t oface concerns security. This is particularly difficult to ensure where, as is proposed, the product from the mine is dore bars. These bars contain a high percentage of gold, and are shipped elsewhere for final refining to the required purities.

Mr Eskell's solution is typically radical. "If I find anyone stealing from me, I'll switch to producing a filthy looking black concentrate running about 7 oz of gold to the tonne, and ship it to somewhere like Marseille for treatment."

Telefonbau sees sales rise despite effects of strike

BY JOHN DAVIES IN FRANKFURT

TELEFONBAU UND NORMALZEIT (T&N), the West German communications and electrical group, expects to increase its sales revenue by at least 5 per cent this year, despite some concern about the effects of the metalworkers' strike.

Dr Michael Schwarzer, chief executive, said that new orders in the first half-year were running 15.3 per cent ahead of a year ago. But it remained to be seen whether the recent labour conflict over shorter working hours in the metal industries would dampen the West German business climate in the rest of the year.

The company is controlled by the Robert Bosch electrical group. AEG gave up part of its stake during its struggle for survival in 1981.

T&N lifted group sales by 5.2 per cent to DM 1.78bn ($629m) last year, with net profits 7.8 per cent ahead at DM 63.5m.

About 60 per cent of revenue came from communications technology for private customers, including telephones and private exchanges. Information services, including timing systems, made up a further 20 per cent.

T&N cut its workforce by nearly 1,200 to 16,680 last year because of slack business in the first six months and streamlining of company administration. But with business continuing to advance this year it began taking on new workers.

Its research spending has more than doubled over the past five years and is co-operating with other parts of the Bosch group in developing new products and systems in the telecommunications field.

Banque Indosuez calls on EEC to back Ecu development

BY DAVID MARSH IN PARIS

THE FLEDGLING composite reserve currency of the European Community, the European Currency Unit (Ecu), may have made significant progress as a commercial vehicle used in transactions on the financial markets. But the Ecu is still very much in its "adolescence" and will require further supportive action from EEC governments and financial institutions before it can celebrate a true coming of age as an international currency.

That is the conclusion of a study of the commercial use of the Ecu from Banque Indosuez, the internationally-oriented French nationalised bank. In the first issue of its quarterly economic revue, Index, the bank says the initial success of the private use of the Ecu needs to be "consolidated" by a range of institutional measures. As well as the dropping of the Bundesbank's notorious prohibition of access to Ecu markets for West German citizens, the bank suggests that EEC institutions could issue short-term paper denominated in Ecus, perhaps for uses such as the financing of agricultural spending.

Use of the Ecu in bond issues has shown "spectacular" development, while application on the syndicated credit market has been slower. More than 90 public bond issues in Ecus have been launched since 1981, while there have been only 34 publicly announced medium and long-term credits.

With sophistication of financing methods (for instance, the issue of Ecu bonds with warrants, or the Ecu *titre participatif* launched by Saint Gobain earlier this year) also showing rapid growth, the Ecu is now the third most important unit of denomination on the Eurobond market, making up 4.7 per cent of issues.

But it is a long way behind the D-Mark with 8.6 per cent, to say nothing of the dollar, which makes up 77 per cent of the market.

The backbone of the private use of the Ecu is of course the inter-bank market, where Banque Indosuez reckons that, after a slow start, about 200 banks now make *credits and accept deposits in Ecus*, of which 30 can be considered active participants.

The size of the inter-bank Ecu market is estimated at around Ecu 6.4bn ($5bn) – corresponding to 0.7 per cent of the size of the inter-bank Eurodollar market. Banks based in Belgium, Luxembourg and London are the main providers of Ecu funds, with French banks also modest net lenders, and Italian banks large net borrowers of Ecus.

As well as measures to increase the number of Ecu-denominated instruments – such as Ecu certificates of deposits and commercial paper issues – Banque Indosuez pleads for greater diversification of investors. Principal investors at the moment are private Belgian clients, attracted by the perennial weakness of the Belgian franc and more used to dealing with composite currency units than other European investors.

French investors, the bank notes, can enter the Ecu market only by passing through the punitive premium market because of French exchange controls. Institutional investors have remained on the sidelines and even central banks themselves – for whom the Ecu was originally invented as the central valuation and transactions unit within the European Monetary System – do not seem to have started building up their own currency reserves in *Ecu deposits*.

Finally, the bank says the prospective revision of the currency weights of the Ecu "basket" – scheduled to take place during 1984 – is hanging "like a sword of Damocles" over the private Ecu market. If it is to be carried out at all, the redefinition of the weights of component currencies (currently, the currencies of all the EEC members except Greece) needs to be made as quickly as possible. And it should not result in too great a drop in the importance of the "strong" European currencies in order to keep alive the investment attractiveness of the unit, the bank warns.

Valmet profits on target

BY LANCE KEYWORTH IN HELSINKI

VALMET, the Finnish State-owned engineering group, reports a 29 per cent sales rise to FM 1.89bn ($316m) for the first four months of 1984. Group order backlog has rise by 24.4 per cent to FM 5.01bn and new orders more than doubled.

The performance is flattered by the fact that Valmet in 1983 was then just edging back into the black after a couple of difficult year.

Net earnings for 1983 were FM 38.9m on a turnover of FM 4.91bn after a deficit of FM 261.8m in 1982.

Mr Matti Kankanpaa, president of Valmet, notes in his interim report: "The profit trend for Valmet in the first part of 1984 conforms to plan. The overall financial result for the operating groups are also in the black."

The operating groups are paper machinery, shipbuilding, automation, defence equipment, transportation equipment, and tractors.

Board change at Air France

By Our Paris Staff

MARCEAU LONG, chairman of France's public sector domestic airline Air Inter, has been appointed a board member of the national carrier Air France. He is expeceted to take over as the company's chairman when the successor to M Pierre Giraudet is officially designated this week.

M Giraudet, who has been in charge of Air France since 1975, is leaving on age grounds.

INTL. COMPANIES & FINANCE

Chris Sherwell on the frustrations facing Asia's second largest stock exchange

Singapore keeps market under firm control

OVER THE past 18 months, at least half a dozen hopeful companies have applied for a new listing on the Singapore Stock Exchange and unexpectedly failed. In the same period, several quoted companies have had share or debenture issues refused.

For those listings which have gone ahead, the shares have attracted enormous interest. One issue was 248 times oversubscribed and another 191 times. Billions of dollars are mobilised on such occasions.

The trends stand in sharp contrast to previous years. In the decade after the Singapore and Malaysian exchanges effectively went their separate ways in 1973, companies tended to have few problems getting listed and the oversubscription phenomenon was considerably less dramatic.

Inevitably, frustrated company executives, merchant bankers, stockbrokers and corporate lawyers are asking whether there is any change in official policy, and whether perhaps the role and image of the Singapore exchange are becoming matters of concern to the authorities.

These questions are important because they have implications not only for the exchange's notional function as a place where budding entrepreneurs can raise cash for their growing companies, but also for the country's own much-vaunted ambitions to create an international financial centre.

Given the continuing link with Malaysia — of the 301 companies listed in Singapore, 172 are incorporated in Malaysia—the question also arises of whether the Malaysian exchange might become more attractive to companies and investors if the authorities in Kuala Lumpur maintain a more relaxed and expansionary stand.

That the Singapore exchange is important domestically and internationally is indisputable. In 1974 market capitalisation was a small S$8.25bn. By the end of last year it was S$104.3bn (US$48.6bn), which made it some 2½ times the size of Hong Kong and a fifth the size of Tokyo, the world's largest market after New York.

But several factors make the Singapore market different from its European counterparts. One is the structure of share ownership: many companies have large stakes held long-term by controlling families, Malaysian Bumiputra (indigenous Malay) agencies, the Singapore government, or the big Singapore banks.

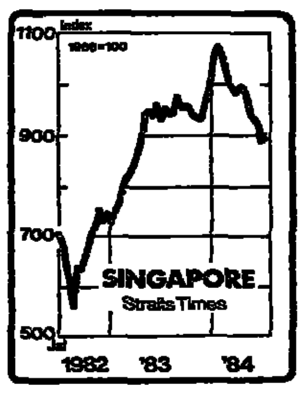
Another is the lack of professionally managed funds. Singaporeans are compelled to place 25 per cent of their income in the official Central Provident Fund, an amount matched by their employers. The proceeds are typically used for government borrowing and not invested in the stock market.

In Singapore the taxman actually discourages fund management: although there is no capital gains tax, fund managers are subject to a trading profits tax of 40 per cent. With few such managers, there is less research done in a market which, by common consent, shows exaggerated boom and bust cycles, is excessively driven by rumour and gossip and is often manipulated by shadowy syndicates "churning" shares.

The Government's own view of the market is known to be rather jaundiced, and it is believed to be low down on the list of priorities for encouragement and development. That is one reason why debate has intensified over the fate of new share issues — it could mean a tougher stand rather than reform.

The first hint came in late-1982 when a rights issue for United Pulp and Paper was rejected. Suspicions were fuelled in 1983 when new listings for Hong Leong Corporation and Jurong Brickworks were turned down. Then this year three applications for new listings — from Singapore Shipping, Baker Marine, and Mount Elizabeth Hospital — were all turned down.

On top of this, another new listing, for Chan Ho Engineering, was withdrawn at the last moment, a loan stock issue for City Developments was refused,



and an acquisition and rights issue involving International Wood was rejected.

One view is that the authorities are looking more closely at particular sectors and deciding specific cases on the basis of an industry's overall outlook. Thus they are seen as being against marine-related issues like Baker Marine or Singapore Shipping because of the unhappy state of the shipping/shipyard sector.

A more significant argument is that the authorities are taking a stricter view of their role as protectors of the small investor, partly in response to specific events—(like the industrial recession and debt crisis, or the Hong Kong property crash)—and partly because of an ingrained perception that the Singapore corporate world has more than its fair share of dubious characters with insufficient regard for their shareholders.

This perception is known to be harboured by officials at the Monetary Authority of Singapore, the island state's quasi central bank, which is the true spirit behind the regulation of the Singapore stock market. The "watchdog" Securities Industry Council, which has private sector representatives but only advisory and monitoring powers, is dominated by the MAS and is housed in its offices. It was unable to answer questions from the Financial Times.

Just how well the authorities can do this job of protection has become part of the debate. Many people believe disclosure rules could be tighter. But the question also arises of who can best judge matters. One member of the investing public recently complained to a parliamentary select committee about the shares in government-owned Neptune Orient Lines, offered in 1981.

"When NOL went public the issue price was S$4, but today the share is worth less than S$3," he said in a submission published in the committee's report. "The directors can be deemed to have cheated the investing public. They should have foreseen the coming recession in shipping and not offered the share at an inflated price."

Merchant bankers in Singapore generally believe the protection of the small investor is well justified but is being carried too far. "Those running the show are lining up the beauties and picking the winners. But they should really just be doing the sex tests," said one.

One official even privately worries that the investing public will decide that, if the authorities allow a company to go public, it can be presumed a safe bet and the prospectus details need not be read. There is also concern that companies may be deterred from coming to the market—a dangerous development for a society beginning to worry about a possible lack of future entrepreneurs.

Few bankers or brokers, on the other hand, feel that the heavy oversubscription for new shares indicates an embarrassing underpricing. In their view, the need to put up large amounts of money to secure small share allocations, together with a necessary "stagging premium," automatically means oversubscription.

Other reforms have also been mooted. One, to tackle the problem of a new listing, proposes an unlisted securities market, but this too has attracted little official response. Another, to stimulate greater activity, suggests raising the minimum flotation for a company going public from 25 per cent of its capital to 40 per cent. Company heads, who typically own and control their companies, would not take to this.

More professional fund managers would also help, but the introduction of tax incentives would need the agreement of the highly conservative Inland Revenue.

In the meantime an experiment has begun which could prove important. Ten companies are to channel some of their Central Provident Fund contributions into a new fund, to be invested for the employees' own benefit. The fund might amount to some S$11m. But if it catches on, it could amount to S$500m

The trouble, however, is that none of this answers perhaps the most basic question of all: what is the authorities' view of the proper role of the Singapore stock market? Bankers and brokers, whose sympathy for the authorities is clear and whose respect for their wishes is unfailing, can only say ruefully that they don't know.

San Miguel diversifies into coconuts

By Emilia Tagaza in Manila

SAN MIGUEL, the beer-based group which is the Philippines' largest publicly quoted company, has diversified operations into the coconut industry, a major foreign exchange earner for the country.

The entry into the industry follows San Miguel's tie-up with the United Coconut Planters Bank (UCPB), whose president Mr Eduardo Cojuangco, known as the "Coconut King," was recently voted in as chairman of San Miguel.

San Miguel has announced the acquisition of two of the country's biggest coconut oil mills and the lease of another, from United Coconut Oil Mill (Unicom), the quasi-government agency that controls coconut milling and trading. Mr Cojuangco is also Unicom's president.

The two mills were bought for 207m pesos (US$11.5m).

Interim jump for Sanyo Electric

BY YOKO SHIBATA IN TOKYO

SANYO ELECTRIC, one of Japan's major integrated consumer electronics companies, lifted parent company net profits by 27.7 per cent to Y13.25bn ($54.9m) in the half year to May 31. Pre-tax profits were Y25.1bn, up 32.5 per cent, on sales of Y454bn, up 18.1 per cent.

For the current full year, ending November, Sanyo expects record earnings and sales, on the strength of vigorous sales of video cassette recorders (VCRs) and office automation equipment.

The half-year advance in turnover was attributed to an overall sales improvement for all product lines except kerosine stoves. VCR sales rose by 30 per cent to Y80bn, supported by vigorous exports to the U.S. Sales of office automation equipment jumped 60 per cent to Y32bn reflecting the upsurge in demand for personal computers, cordless telephones, and plain paper copiers.

Favourable overseas sales of microwave ovens and stereo components in addition to the vigorous VCR exports, lifted total exports by 25.5 per cent to account for 60 per cent of turnover. Domestic sales rose only 8 per cent from the previous interim level.

Economies of scale in the production of the company's main products and a larger financial surplus of Y7.7bn arising from active investment of funds in higher yield instruments all helped boost half-year earnings.

The company has stepped up production capacity of VCRs. Its capacity of Betamax-format decks has been lifted to the current level of 170,000 units per month from 150,000 units previously. The capacity of VHS format VCRs produced at its subsidiary, Tokyo Sanyo Electric, has been boosted to 130,000 sets from 90,000 a month.

Sanyo expects full-year sales to reach Y935bn, up 14 per cent.

Pre-tax profits are projected at Y51.5bn, up 20.3 per cent, and net profits at Y27.1bn, up 18.5 per cent. The company said that if it can achieve the earnings forecast, it is considering making a one-for-ten scrip issue and maintaining the dividend total at Y7 a share on the increased capital. The interim dividend is held at Y3.5.

Tokyo Sanyo Electric lifted first half net profits by 62.2 per cent to Y6.2bn. Pre-tax profits were Y12.9bn, up 82.2 per cent, on sales of Y222bn, up 35.9 per cent.

The spurt in earnings reflected a steep sales growth of VCRs and semiconductors, and the rapid recovery of audio equipment sales. The company's VCRs were all sold abroad, contributing Y78bn to turnover. Semiconductor sales in both domestic and overseas markets rose by 43 per cent to Y94bn. Sales of audio equipment also showed double digit growth.

Bank of India
London Branch
U.S.$40,000,000
Negotiable Floating Rate Certificates of Deposit due 1987 retractable at the option of the holder to 1986.

In accordance with the provisions of the above Certificates, notice is hereby given that for the 6 months from 9th July, 1984 to 9th January, 1985 (184 days), the Certificates will carry an interest rate of 13¼% per annum.

The interest payable on the next interest payment date, 9th January, 1985, in respect of each U.S.$500,000 Certificate, will be U.S.$33,861.11.

Agent Bank:

Lloyds Bank International

Notice of Purchase

European Investment Bank

11½% £ foreign currency Bonds of 1979, due 15th June, 1991

Pursuant to the terms and conditions of the Loan, notice is hereby given to bondholders that during the twelve-month period ending 14 June, 1984, £210,000 of the European Investment Bank's 11½% £ foreign currency bonds of 1979, due 15 June 1991, were purchased by the purchase agent for account of such bank in satisfaction of the purchase fund instalment.

As of 15 June 1984, the principal amount of such Bonds remaining in circulation was £19,040,000.

10 July, 1984

European Investment Bank

UK COMPANY NEWS

Webber Electro tops £0.2m at midway

Profits before tax at Webber Electro Components have increased from £152,590 to £221,308 in the six months to March 31 1984.

The midway result for this USM-quoted electrical component manufacturer includes a larger contribution from receivable interest at £19,347 against £3,338, and was achieved on turnover which showed a 40 per cent rise from £636,945 to £891,157. Trading profit emerged at £201,961 against £150,252.

In the last full year, when sales of £1.4m produced taxable profits of £344,000, the company paid an effective total dividend of 1.75p. The interim payment this time is 1p on capital enlarged by the scrip and last August's one-for-seven rights issue.

Commenting on the first half performance the directors state that progress was maintained in all major product areas. They add that trading conditions indicate that satisfactory progress should be achieved in the second half.

Denmans in line with forecast at £475,000

In its initial figures since its placing on the Unlisted Securities Market earlier in the year, Denmans Electrical reports pre-tax profits of £475,000 for the six months to March 31, 1984. Figures for the previous 12 months were £910,000 from turnover of £15.61m—turnover for the six months under review was £8.95m.

Mr Arnold Denman says the interim profits are in line with the company's expectations at the time of the USM placing.

He says the recently acquired businesses in the West Midlands are not yet operating at profit margins equal to those achieved in the rest of the company's areas in South-west England.

He expects that full year profits will exceed those achieved last year.

First half tax was £208,000 against £275,000 in the previous 12 months. There was an extraordinary debit of £70,000 this time, being USM flotation costs. Earnings per share were 6.5p in the opening half.

May & Hassell paying 5p as profits recover to £3m

A SECOND half profit of £1.76m from the May & Hassell group of timber importers and merchants gives £3.04m for the year ended March 31 1984, compared with £728,000 last time. Prior to that, there were two years of losses.

Earnings have more than trebled from 11p to 37.2p, and the dividend is up from 3.8p to 5p net with a final of 3.4p. Also recommended is a one-for-three scrip issue.

For the current year shareholders can expect a "reasonable profit," the directors say. Management accounts show that overall turnover is some 10 per cent ahead. Generally, consumption is not so effervescent. Supply and demand appear to be still in balance though, as always, problems can be anticipated at the turn of the year.

Turnover for the year advanced from £60.64m to £79.2m and the gross profit from £10.47m to £15.21m. The pre-tax balance was struck after distribution costs £2.5m (£2.06m), selling expenses £1.08m (£968,000), administration costs £6.29m (£4.37m), related company loss £19,000 (£65,000) and interest £2.28m (£2.27m).

With minor exceptions, all units operated profitably. Results of Vic Hallam for six months have been consolidated—its status as a 50 per cent owned associate company prior to that date has been reflected in the profit statement. In February the group's 60 per cent interest in its Belgium subsidiary was sold.

Group manufacturing units continue to provide a "very good" return on the investment in them. Although timber frame manufacturing in Cardiff continues to be encouraging, the company "can make no major investment in this activity until what is a very sound and economic product is taken out of the political and emotional areas," the directors state.

At the year end shareholders' funds had risen from £18.04m to £22.26m, while borrowings moved up by over £5m to £21.56m.

After tax £450,000 (credit £17,000), minorities credit £33,000 (£36,000) and extraordinary debits £371,000 (£83,000), the available profit came to £2.25m (£698,000).

May & Hassell has acquired the assets and the business from the receiver of John P. Wardle, of South Shields. A new company to be known as M & H (J. P. Wardle) will start trading immediately from Stanhope Drops Sawmills, South Shields.

HIGHLIGHTS

Against the background of the continuing strength of the dollar causing headaches in financial communities worldwide, the Lex column looks at the likely impact of the latest events *to be tossed into the economic melting pot—a dock strike, the* collapse in gold shares and the latest crisis in Hong Kong. As for sterling, clearly the pressures are on for another rise in base rates on top of last Friday's increase to 10 per cent.

● comment

May & Hassell has managed to get the balance of its business to around 40 per cent timber imports and the rest manufacturing and merchanting. It would like to see the volatile import element lower still. At the year end gearing stood at 97 per cent of shareholders' funds which leaves the company vulnerable to any depression in the currently improving demand for timber. If the 10 per cent improvement in turnover so far recorded in the current year continues, then the company should be able to at least repeat this year's £3m profit. The company has "high but cheap" stock levels. Further upward pressure on interest rates, however, could drastically alter the picture. The shares closed 3p lower at 107p giving a historic PE of a little under 3, unexciting even by the modest standards of the sector.

A. Monk slips to £3m but remains confident

DESPITE A fall from the £3.6m reported last year, the directors of A. Monk & Co. believe that the £3.13m profit before tax for the year to February 29, 1984 represents a "reasonable return on work which has been obtained in a very competitive market."

The figure is stated after absorbing the costs of the reorganisation of the group's service departments and the closure of the loss-making pipeline division during the year.

The directors add that the improvements resulting from reorganisation will begin to have an effect upon the group's results in the second half of the current year, and should be more significant in 1985-86.

They back their confidence that the action taken will result in "an improved level of performance" with a 4.5p final dividend, lifting the total from 6p to 6.5p. At the midway stage they had anticipated a total of not less than 6p. The increased payout is covered by earnings per share shown at 22.5p (26.4p).

The directors of this builder and civil engineer are encouraged by the fact that the increase in turnover was maintained into the second half to finish the year some 20 per cent higher at £99.5m. Operating costs took a larger share of this at £98.03m against £79.75m to leave operating profit reduced from £2.27m to £1.47m, but the fall was partially offset by £1.66m (£1.33m) in interest receivable and other income.

The tax charge was up from £668,00 to £702,000, while exceptional release of a provision for tax on Nigerian debts, which last time amounted to £1.38m, is no longer required.

Minorities absorbed £87,000 last year, and an extraordinary credit £136,000 (nil) relates to a release of deferred tax arising from the proposed reductions in corporation tax rates. Dividends took a larger slice at £702,000 against £648,000, and the parent company retained £1.55m (£3.51m).

Mr W. S. Whittingham, the out-oging chairman, says that he expects the current year's results to include some contribution from work obtained by the new management contracting division. The group has also moved into property development, the early signs from which are encouraging.

He concludes that the company is now in a much stronger position to compete for the work which is available.

Rationalisation benefits help Carclo reach £2.9m

REFLECTING a full year's results of the major reorganisation started in 1980, profit before tax of Carclo Engineering has advanced from £2.98m to £2.9m in the year ended March 31 1984. And members share in this improvement, their dividend being raised from 4.55p to 8.6p net with a final o f 6p.

The engineering division lifted its profit from £999,000 to £1.33m and the card clothing side from £1.75m to £2.15m, but within the latter the contribution from India fell from £1.42m to £1.21m. Central administration expenses came to £288,000 (£355,000) and bank interest to £296,000 (£315,000).

After tax £1.3m (£1.19m) and minorities £103,000 (£154,000), the net attributable profit comes to £1.49m (£888,000) for earnings of 31.1p (12.1p) actual and 24.6p (12.2p) fully diluted. There is also an extraordinary credit of £71,000 (debit £185,000).

At the year end shareholders' funds stood at 168p (151p) actual and 147p (135p) fully diluted.

With improved trading prospects and a good order bank the company is planning to expand further, by internal growth and external acquisition.

● comment

Carclo shares leapt 12p to 142p on the surprise news of the 89 per cent dividend increase, restoring the payout in real terms to 1979 levels. It has taken the company that long to climb out of recession and fully realise the benefits of the 1979 merger with English Card Clothing, cutting capacity in card clothing — equipment used in carding yarn — and building up the engineering business, where the main product is wire. Last year the upswing in consumer and textile industry demand boosted sales in the UK and abroad, particularly in the U.S., where the falling pound improved competitiveness. In India, there is little prospect of reversing the decline in profit, caused by recession, strikes and recently political unrest, but the margin on sales remains stupendous at 26 per cent. The company has bought four small engineering businesses in the past two years and plans further purchases in the future though their scale is unlikely to transform the group immediately. Borrowings have been cut to 35 per cen of shareholders' funds and should come down further this year. Carclo is a conservatively managed company with the directors holding about 20 per cent of the equity, where the chief attraction for other shareholders is the 9 per cent yield. There should also be some upward move in the share price — Carclo should make £3.5m pre-tax this year, putting the share on an undemanding prospective tp/e of less than five, fully taxed, on a 45 per cent tax charge.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Batleys	2	Aug 24	1.9	2.5	2.4
Carclo Engnrg.	6.0	Sept 7	3.25	8.6	4.55
Delmar	1.68	—	Nil	2.66	Nil
John J. Lees	2	Aug 25	2	2.9	2.8
May and Hassell	3.4	Aug 20	2.5	5	3.8
A. Monk	4.5	Aug 28	4.5	6.5	6
Murray Northern	1.6	—	1.4	2.2	2
Murray Northern ¶int.	0.7	—	0.6	—	—
Webber Electro‡ ...int	1†	Oct 31	0.88*	—	1.75*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ In respect of year to May 31 1985.

L & G new business still growing

Legal and General Group, Brtain's second largest life company, is maintaining its underlying momemtum int he growth of new life business, despite the removal of life assurance premiu relief, claims Mr Joe Palmer, the group's new chief executive.

New anual premiums in the first half of the year on the groups worldwide life and pension business were £70.3m against £69m last year, while single premius were £143.5m against £99.9m.

New annual premiums on UK individual life and pensions business fell by 12 per cent from £4.3m to £39m over the half year. But Mr Palmer points out that the first half of 1983 was an exceptional year because of the changeover to MIRAS (Mortgage interest relief at source) the new method of crediting tax relief on mortgage interest, rather than the loss of life assurance premiu relief.

He claims that hte majority of mortgages sold at present are still backed by a low cost endowment contract. New annual premius on individual business this year are more than double those for 1982.

The group's UK unit-linked subsidiary goes from strength to strength. New annual premiums in the period rose by over 60 per cent from £5.4m to £8.7m, while single premiums climbed by a similar proportion from £76.9m to £124m—making the subsidiary one of the leading linked life companies for single premium business.

This meant that new annual premiums on traditional life and pensions business fell over 20 per cent from £38.9m to £30.3m. Legal and General, however, is not prepared to give any indication as to the movements in sales of various types of policy. It is known that low cost endowment sales fell considerably, while there has been a boom in self-employed pensions sales.

Group pension and life business showed a strong recovery over the period after several years of declining business. The group—the largest pensions operation in the UK—showed new annual premiums, including managed funds, up by more than a third from £18.4m to £25.3m. This states Mr Palmer reflects the modest expansion of the economy and the active marketing of highly competitive contracts. Single premiums on group business declined from £12m to £11.2m.

"W" Ribbons

The directors of "W" Ribbons Hodings have decided to defer payment of the dividend due July 15 on the 10 per cent cumulative redeemable preference shares.

Heavier halfway losses as expected at Bio-Isolates

HEAVIER pre-tax losses, up from £111,140 to £162,150 are reported by Bio-Isolates (Holdings) for the six months to March 31 1984. The results are in line with the board's expectations at this stage of the group's development, for a period when the main effort was concentrated on the construction and commissioning of the first large-scale plant, and development of retail market opportunities.

No tax was again payable, and the loss per 10p share was up from 1.4p to 1.92p—the companies shares are traded on the Unlisted Securities Market.

Following completion of the installation of the first large protein production plant at Mitchelstown, the plant was brought on stream after a considerable delay in the supply of whey. However, it is now confirmed that the group's protein isolation process can be operated on a fully commercial scale.

The directors say supply contracts for Bipro Protein have been entered into with certain major overseas food processors, accounting for the bulk of the anticipated output from Mitchelstown, but an apropriate proportion of the total output will be reserved for supply through retail outlets as these are developed.

A significant proportion of this year's market development effort has been directed at the sale of Bipro Protein in the higher value retail sector.

This programe involved participating in selected exhibitions, including the International Health Exhibition, Helfex, in April at which Bipro was selected from 58 other companies' entries as the best new product, qualifying for G. R. Lane award.

Securiguard will finish 'well ahead'

For the current year the directors of Securiguard Group are looking for a profit before tax "well ahead" of the previous year's £532,000. For the six months ended April 29 1984 the profit has risen from £235,000 to £322,000 and the rate of growth in the current half is expected to exceed that.

In the half year, both the security and cleaning divisions of this USM company contributed significantly to the results —turnover advanced by £2.2m to £5.85m. Property Guards, acquired last November, has been fully integrated into operations.

After tax of £151,000 (£129,000)—an average rate of 48 per cent—the net profit for the half year is £171,000 (£106,000), giving earnings of 3.2p (2p) per share.

UK COMPANY NEWS

Neil & Spencer up to £0.5m and growth trend continuing

THE CONSIDERABLE improvement which Mr Stephen Proctor, chairman of Neil and Spencer Holdings, forecast for the half year to May 31 1984, has been achieved with a rise in pre-tax profit from £121,000 to £473,000.

The comparable figures include the results of the discontinued Westair activities, subsequently treated as an extraordinary item in the year end accounts. With the appropriate adjustment last time, current interim profits show an 80 per cent increase.

There is still no resumption of the dividend, last paid in 1980. Earnings per share for the period were 1.9p, against a loss of 0.1p.

At the last year end this manufacturer of laundry, drycleaning and specialist electrical equipment returned to the black with a taxable surplus of £585,000. The turnround followed three successive years of loss, and the directors now state that under present conditions they anticipate a steady improvement in the group's performance.

Demand from the UK hospital and laundry sectors continues to be depressed pending resolution of decisions on privatisation. In other areas activity is at a more acceptable level, they say.

During the latter part of this year, and in 1985, the group will receive the full benefit of its completely revised range of dry cleaning machines, the development costs of which have already been totally absorbed. The necessary capital investment has been made to ensure that these and other machines in the company's range can be produced profitably and at competitive prices.

Turnover rose from a stated £13.1m to £14.14m. Again adjusting for the Westair disposal, turnover last time would have been £11.17m. Operating costs took £13.35m against £12.65m to leave profit at an operating level at £785,000, up from £458,000.

Interest charges decreased from £337,000 to £312,000, but the tax bill rose by £65,000 to £171.00. Profits attributable to minority interests were lower this time at £7,000 against £22,000 to leave earnings for ordinary capital £295,000 in the black against a £7,000 loss for thet comparable period. Extraordinary items took £65,000 (contributed £33,000).

Superdrug forecasts higher profits

BUSINESS TO date this year at Superdrug Stores has been in line with group budget forecasts and the board confidently expects the profits trend to continue, Mr P. D. Goldstein and Mr R. S. Goldstein report in their joint chairmen's statement with accounts.

As reported June 22, on a £6.57m rise in sales to £27.77m (excluding VAT), pre-tax profits for the first 13 weeks of the current year improved from £1.02m to £1.38m. In the year ended February 25 1984 taxable surplus reached £6.84m (£5.3m) on turnover of £101.46m (£81.33m).

The joinst chairmen say that 1984-85 promises to be another exciting year for development, expansion and innovation. The company operates a chain of retail drug stores.

Apart from the new stores planned to open this year and the development of the Wakefield distribution centre, the company will also establish its own vehicle maintenance department, expand its offices by around 100,000 sq ft, and broaden the management base of various departments.

All this will ensure that the momentum of expansion continues in a controlled and profitable manner, the joint chairmen state.

Meeting, Croydon, Surrey, on July 18.

Heron Intl. is well placed for further progress this year

BEING WELL placed to face 1984, Heron International looks forward to another year of growth in turnover and profits, says the chairman Mr Gerald Ronson.

The commitment to expansion by acquisition as well as by organic growth is unchanged, but the group will not pay prices which reflect inflated stock exchange values. Heron International is one of Europe's largest private companies and is the parent of Heron Corporation.

The finance division in the U.S. is buying Sun State Savings of Phoenix for $34.1m. This will provide Pima Savings, whose assets have passed the $1bn mark, with a substantially increased base from which to develop further in America.

In the property division at home, 32 stores in prime High Street positions have been bought from Woolworth for £55m. Plans for their immediate disposal or redevelopment for letting and subsequent sale are expected to have a profitable outcome. These stores provide retail space totalling more than 1m sq ft.

A revaluation of the land bank has thrown up a surplus of £23m which has not been taken into the balance sheet. The value of the property portfolio now stands at £236.5m, says Mr Ronson.

In the year ended March 31 1984 the group produced turnover of £687.7m (£411.5m) and a profit before tax of £25.8m (£17m).

Heron Homes was able to benefit substantially from a recovering housebuilding sector and produced record earnings. Heron Suzuki showed improvemen against the background of the significant appreciation of the yen to sterling and a continuing decline in the motor cycle sector. Emphasis continues to be directed towards four-wheel vehicles where increased market penetration was achieved.

Heron Consumer Products, now trading as Heron Communications, took a major stake in the home entertainment and leisure market with the acquisition of Videoform, Media Home Entertainment and Relay Video. Videoform and Relay have a combined 20 per cent market share in the purchase and distribution of pre-recorded video cassettes in the UK.

A profit breakdown shows the trade division, including housebuilding, car and motor-cycle sales, petrol service stations and video cassette distribution, earned £12.3m (£10.7m); financial services, including the UK insurance company and the U.S. savings bank, contributed £16.4m (£7.7m), and property £4.3m (£7.3m)

The accounts show that Mr Ronson's emoluments totalled £446,000 for the year (£438,000), and one other director was in the £105,001–£110,000 bracket.

COMPANY NEWS IN BRIEF

Rowe Evans Investments, engaged in plantations, achieved taxable profits of £1.93m in calendar 1983 compared with £557,000 in the previous nine-month period.

Turnover amounted to £2.08m (£464,000 for period) and the taxable result was struck after interest payable of £134,000 (£4,000) and administration costs of £226,000 (£95,000). Income from fixed asset investments added £138,000 (£72,000), associates contributed £1m (£257,000), and interest receivable and similar income totalled £106,000 (£121,000).

The dividend for the year has been recommendedat 1.35p (0.6p) net, with earnings per share, pre-extraordinary items, shown as 3.32p (1.82p).

Tax took £930,000 (£205,000) and there were extraordinary credits, being professional expenses in connection of listing, of £260,000 (£37,000).

* * *

Two directors of Gresham House, the investment trust group, have urged shareholders to vote against the re-election of Mr David Hardy as chairman of Rowton Hotels, and two other directors Mr James Hamilton and Mr Guy Neeley at the forthcoming annual general meeting of Rowton.

The appeal was made by Mr Freddie Sterling and Mr Rowland Rowe, two directors of Gresham, who have also urged Rowton shareholders to re-elect them to the Rowton board.

Gresham revealed recently that it had sold its 24.69 per cent stake in Rowton to two Asian businessmen, Mr Nurdin Jivrai and Mr Nazumu Virani.

Mr David Hardy, Rowton's chairman, told shareholders that the board was "astonished" that Mr Stirling and Mr Rowe were still pursuing their campaign in the boardroom row "when Gresham House has sold its shares."

BANK RETURN

	Wednesday July 4 1984	Increase (+) or Decrease (−) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	
Public Deposits	47,785,625	+ 6,719,375
Bankers Deposits	662,178,494	− 15,418,599
Reserve and other Accounts	1,533,937,150	− 123,303,925
	2,258,451,269	− 132,003,149
Assets		
Government Securities	277,245,590	− 37,335,617
Advance & other Accounts	719,573,219	− 122,986,666
Premises Equipment & other Secs.	1,149,595,383	+ 333,100,545
Notes	12,852,013	+ 9,523,556
Coin	185,154	+ 22,689
	2,258,451,269	− 132,003,149
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	12,000,000,000	+ 100,000,000
In circulation	11,987,147,987	+ 90,476,444
In Banking Department	12,852,013	+ 9,523,556
Assets		
Government Debt	11,015,100	
Other Government Securities	3,571,314,358	− 363,221,679
Other Securities	8,417,670,542	+ 463,221,679
	12,000,000,000	+ 100,000,000

BIDS AND DEALS

Bowater in major U.S. air freight expansion

Bowater Corporation, the paper and pulp group, has acquired **Imperial Air Freight Service of New Jersey**. No price was disclosed and Bowater yesterday declined to comment on the purchase price.

"We have agreed with Imperial not to release the consideration figure, although I will confirm that it will be a phased acquisition with further payments dependent on the success of the company," explained Mr Dennis Rees, secretary of Bowater.

"This is our first major movement into the U.S. air freight market," said Mr Rees. Bowater currently operates air freight services in the UK, Germany, France, Switzerland, Belgium, the Netherlands, and Luxembourg.

Imperial has a turnover exceeding £25m and falls within the top six air freight companies in the U.S. The company provides domestic and international freight forwarding services through a chain of 23 U.S. outlets.

Bowater, currently involved in a major de-merging of its North American operations, is primarily a manufacturer of paper and packaging products but first entered the freight service industry in 1972.

The company is concentrating on providing freight forwarding services rather than supplying transport capacity. Accordingly, it has agreed to sell its 46 per cent interest in the Rhine shipping company, Schweizerische Reederei und Neptun, and is redirecting the resources to acquiring established forwarding companies in the U.S. and on the Continent.

Emray will resist consortium move

BY RAY MAUGHAN

Emray, the vehicle distribution and financial services group with roots in Zimbabwe, is determined to resist moves by an investment consortium to place three additional directors on the board. Their effect, Emray says in a letter to its shareholders, would be to "change control of your company."

Early in March this year, Emray heard from Raphael Zorn—previously stockbrokers to the group — that it had acquired 27.58 per cent of the equity on behalf of a consortium headed by Mr Murdoch Morrison and Mr Benjamin Anderson. A few days earlier, Taddale Investments, the property group, revealed that it had sold the entire 26.62 per cent holding in Emray that it had acquired a year earlier in consideration for the sale of Bluebell Garages (Middlesborough).

At about the same time, a 9.3 per cent holding in Emray was sold by Rosano, a Swiss paper company which had held the stake for some years. Mr Lionel Altman, chairman of Emray, said yesterday that the Taddale and Rosano stakes had both been put through the mrket at 15.15p per share.

Mr Morrison and Mr Anderson have been joined by Mr E. A. K. Denison, a Yorkshire solicitor, in seeking boardroom appointments. Their resolution will be decided at Emray's annual meeting at the end of this month.

Mr Altman says that he and his colleagues "have been unable to establish who are the mebers of this consortium or to what extent Mr Morrison and Mr Anderson represent them. However, only recently Mr Anderson informed up orally that the consortium consists mainly of persons to whom the shares previously held by Taddale Investments were sold but there is no agreement whereby these persons are represented by Mr Morrison and Mr Anderson."

When Mr Morrison and Mr Anderson lodged their requisition relating to the board resolutions at the beginning of June, they informed Emray that they, together with their associates, "held in aggregate some 10 per cent of the total voting rights of the members."

Emray has not been able to discover subsequently the current beneficial ownership of the balance of the 27.58 per cent or of Rosano's former shareholding.

According to Emray, Mr Morrison's "only concrete proposal" about his intended participation in the group's affairs has been that he would "introduce acquisition opportunities and assist in managing acquired companies."

Mr Morrison holds 1.07 per cent of Emray and Mr Anderson has a further 2.14 per cent. Emray says that "nothing has emerged from the information supplied by Mr Morrison or from our discussions with him to persuade your board that his proposed contribution justifies either an executive position or a directorship."

Mr Morrison, who describes himself as a "company doctor" now engaged in corporate finance work, is chairman of the Leamington Spa-based property group, Five Oaks Investments, where Mr Anderson is also on the board. Mr Morrison has recently announced plans to merge Blacks Camping and Leisure, which he also heads, with Greenfields Leisure. Neither he or Mr Anderson were available for comment yesterday.

Caparo holding in Fidelity up to 18%

Caparo Industries, Mr Swraj Paul's engineering group, has increased its holding in Fidelity Radio, the hi-fi and television manufacturer, to 18.4 from 8 per cent.

Caparo has paid about £2m over the past month to raise its holding but it yesterday denied plans to make an immediate takeover bid and said there have been no talks aimed at securing at seat on the Fidelity board.

Fidelity recently missed its profit forecast through troubles with its cordless telephone and a new colour television set. Fidelity's shares rose 3p to 103p yesterday.

Beazer/Leech

IN A circular to shareholders yesterday, County Bank, the advisors to C. H. Beazer said that the William Leech Foundation is "clearly the key to the battle holding 29.9 per cent and final veto of the Trust's decision rests with William Leech and M. D. Adamson."

County Bank notes that the Foundation has over the past three years received "derisory annual dividends relative to their holding." They have been at the net level: 1981—£294,000, 1982—£45,000, 1983—£111,000.

Beazer's cash offer values Leech at £21.45m. Leech closed at 127p yesterday.

Wellman enters hi-tech field with £0.8m purchase

Wellman, the furnaces group, is extending its product range into high technology glass furnaces with the acquisition of **T. N. Butler Holdings** for an effective price of £768,000.

Mr T. N. Butler, the vendor, is to receive £383,000 in cash and 2.57m new ordinary Wellman shares at 15 p per share. The issue is the equivalent of 19.5 per cent of the existing equity or 11.1 per cent of the ordinary capital in issue when the 10 per cent cumulative preference shares are converted.

Wellman, which lost £843,000 at the operating level in the six months to September last year before exceptional costs of £428,000, says that the acquisition will complement its existing furnace activities and will enable Butler to exploit its products more fully.

The new acquisition designs and makes horizontal glass annealing furnaces using its own technology, giving greater flexibility and efficiency while producing better quality glass than the traditional vertical furnace system.

Higher standards have been set by recently adopted codes of practice for the building industry in respect of glass used in public and private buildings. This, says Wellman, has increased demand

SW Forest casts doubts on Smurfit's $550m bid

Southwest Forest Industries of Phoenix, Arizona has questioned the ability of **Jefferson Smurfit**, the Dublin-based paper and packaging company, to complete its proposed $550m (£417m) bid for Southwest.

Southwest said it has told Smurfit that it plans to terminate discussions between the two companies in the near-term unless certain specified conditions can be met.

Smurfit earlier announced that it had received a $550m credit line from a group of banks led by Bankers Trust to be used for a merger with Southwest.

The Southwest board said the financing arrangements "fell short of the assurances necessary to remove significant uncertainties as to Jefferson Smurfit's ability to promptly complete a transaction involving its possible acquisition of Southwest."

An agreement limiting Smurfit's holding in Southwest to 9.3 per cent expired last Sunday but Smurfit is still prevented from raising its holding above 20 per cent before December 13.

Heron Corporation, Mr Gerald Ronson's property, trading and insurance group, has said it is considering providing financial backing to Smurfit for any bid for Southwest.

BIDS AND DEALS IN BRIEF

Fisons has agreed to acquire full ownership of **Morgal Scientivic** in Kuala Lumpur, Malaysia. This involves the purchase from **ITN International** of 50 per cent share in the company, the other 50 per cent already being held by Fisons.

Morgal is part of Fisons' scientific equipment division and distributes a wide range of scientific equipment and supplies throughout Malaysia.

* * *

On July 7, acceptances of the **Energy Recovery Investment Corporation** (ERIC) offer for **Cambridge Petroleum** had been received in respect of 1,718, 415 Cambridge ordinary (approximately 33.17 per cent).

Acceptances under the offer, together with ERIC's existing holding, amounted to 2,978,415 Cambridge ordinary, approximately 57.5 per cent of the issued ordinary share capital including the 130,000 ordinary issued on July 5 re-purchase of certain royalty interests.

The cash alternative has now closed and the offer remains open.

* * *

Acceptances of the unconditional offers made on behalf of **Hawker Siddeley Group** for **Carlton Industries** have been received in respect of 7.49m ordinary and 253,368 Preference shares, 99.88 per cent and 51.18 per cent respectively of the ordinary and Preference shares, the subject of the offers 27.21m ordinary shares of Carlton (99.96 per cent).

The offers have been extended until 3 pm on July 19.

* * *

The recommended offer on behalf of **Polly Peck** for the capital of **Wearwell** is now unconditional in all respects and will remain open until further notice. Acceptances have been received in respect of Wearwell ordinary shares representing 91.32 per cent of the capital. Polly Peck intends in due course to acquire compulsorily the outstanding ordinary shares.

* * *

Hayward Tyler, which is part of the Thyssen-Bornemisza's Sterling Fluid Systems Group, has acquired M. Mullins of Kent and G. Lines of Birmingham, both borehole specialists, pump installers and submersible pump repairers. They were part of the eBechwood Group which went into voluntary liquidation.

* * *

The resolution to approve the reorganisation of the share capital of **Harrison Cowley** was passed at the EGM on July 5.

Acceptances of the **Saatchi and Saatchi** offer have been received in respect of 4,822,779 ordinary and 4,822779 deferred shares in Harrison, representing 96.46 per cent of both classes of share capital.

All conditions have been satisfied and the offer has become unconditional in all respects. The offer remains open for acceptance until further notice.

Saatchi intends to acquire compulsorily any outstanding ordinary and deferred shares in due course.

* * *

Robert Fleming Inv says that of the holdings managed on a discretionary basis or advised by company, which represented, in aggregate 15 per cent or more of the voting rights of the companies, it holds 4,423,657 ordinary shares (20.68 per cent of voting rights) and 888,000 deferred ordinary shares in **Suter**.

* * *

Moran Tea Holdings Group has completed the acquisition of 51 per cent shareholding in **K.M.S. Group Limited** in consideration of the payment of £250,000 in cash to Glanmoor Investments.

The consolidated net tangible assets of K.M.S. Group at March 31 1983 were £371,754 and pretax profits for the 12 months to that date were £87,490.

The K.M.S. Group is an international freight forwarders by air, sea and land, export packer, charterers and business house travel agent.

* * *

Mills & Allen International has agreed to sell Poster Publicity (Holdings), with its specialist advertising agency Poster Publicity (PPL), to a group of investors including two directors of PPL for £600.000 cash.

Walter Investments Rotterdam has purchased a further 350,000 shares in the **English Association Trust** and now holds 853,600 shares (14.17 per cent).

* * *

GRA has announced that the **Stock Conversion and Investment Trust** has agreed to defer the completion of its purchase of White City Stadium until September 30 1984. This will enable GRA to progress its application for planning permission to construct a new White City on the nearby West London Stadium site.

* * *

Applications have been received for 16.1m new ordinary shares of **Granada Group** representing 41.2 per cent of the 39.1m new ordinary shares offered to Granada shareholders at 155p per share. All applications will be satisfied in full.

The shares made available to shareholders represent 50 per cent of the shares issued as consideration for the acquisition of Rediffusion by Granada. It is expected that dealings will commence on July 12 1984.

* * *

Mr C. J. Moran now owns and controls 1.78m ordinary and 465,000 deferred ordinary shares in Suter, representing 8.68 per cent of the total ordinary shares in issue.

* * *

Mr Elliott Bernerd and **Mr Stuart Lipton**, directors, have each acquired from former shareholders in Trust Securities Holdings 50,000 Stockley ordinary shares through the exercise of options granted in their favour prior to the acquisition of TSH. Purchase price under the options was 35p per share.

Mr Bernerd's shares have been acquired on behalf of a trust of which members of his family are the beneficiaries. He now holds 13.8m shares (12.8 per cent) and Mr Lipton owns 7.96m.

* * *

Quest Automation has agreed with Security Change to acquire the freehold of Quest House, Chandlers Ford, Hampshire, which it occupies, at a total cost of not more than £800,000.

A bank facility has been negotiated with Privatebanken to enable the purchase to proceed.

* * *

As a result of recent purchases, the interests of the **Prudential Corporation** group in **London and Continental Advertising Holdings** total 1.37m ordinary shares (6.96 per cent).

Prudential Assurance owns 975.612, Prudential Nominees 303,600, Vanbrugh Pensions 75,000, Mercantile and Gen. Reinsurance 4,359, and Kingman Nominees 8,384.

* * *

Mr N. N. Tucker, director, has ceased to be interested in 297,000 ordinary shares of **Sheraton Securities International**, part of his non-beneficial interests. His interests in the ordinary shares are now 1,971,500, of which 1m are beneficial. His loan stock interests are £144,300, all beneficial.

* * *

The British Electric Traction Company, an industrial services group, anticipates profits of "not less than £85m for the year ending March 31, 1984—an increase of over 20 per cent on the previous year — with a commensurate increase in the dividend."

The details are revealed in BET's offer document which explains the group's £175m offer for Initial, a towel rental group.

Shareholders of Initial are told that "BET has emerged from the recession in good strong shape" and the group foresees further growth and development.

Funds Holdings

In accordance with the recent ruling of the Takeover Panel, fund managers have disclosed the following holdings:—

Edinburgh Managers hold 25.8 per cent of **Edinburgh Securities**;

Robert Fleming Investment Management holds 17.5 per cent of **Turner and Newall**;

Hambros Bank holds 23.5 per cent of **J. I. Jacobs**.

LADBROKE INDEX
Based on FT Index
805-809 (−4)
Tel: 01-493 5261

How The Morgan Bank concentrates on serving major corporations in the U.K.

Incorporated with limited liability in the U.S.A.

Among the Morgan officers who collaborate to serve U.K. companies are, at left: John McColloch, U.K. corporate banking, London; Stephen Kirmse, commercial paper, New York; Harvey Struthers, U.K. and Scandinavian corporate banking, New York. Center (all based in London): Tony Mayer, managing director, Morgan Guaranty Ltd; Christopher Beatson-Hird, U.K. corporate banking; David Brigstocke, Morgan Guaranty Ltd. Right: Michael Doyle, mergers and acquisitions, New York; Oliver Parr, U.K. corporate banking, London; Lam Nguyen-Phuong, financial analysis, London.

The Morgan Bank specialises in meeting the needs of the world's major multinationals.

In the U.K. this means leading British corporations and the U.K.-based subsidiaries of U.S. and other foreign firms. Because of this focus we can combine the worldwide resources and knowhow of a major wholesale bank with the customer-oriented responsiveness usually associated with much smaller banks.

Corporate financial officers find a full range of financial and capital market services at Morgan.

We structure innovative financings in sterling, dollars, and many other currencies. We're a leader in interest rate and currency swaps, Eurobond issues, international treasury management, financial futures, foreign exchange options. Because Morgan is active in money markets around the world, we can advise on the right time and the right way to put together financings—whether long-, medium-, or short-term—at fixed or floating rates, and in the best currency.

Here are some examples of how The Morgan Bank serves U.K. clients.

☐ Our London bankers work closely with a special Morgan group in New York that focusses on the needs of U.K. companies in the U.S. market. Together we provide creative, tax-efficient acquisition financing, commercial paper advice and services, funding for capital needs through bridge loans, term loans, private placements. Recently we designed a new financing structure that enabled a U.K. multinational to buy a major U.S. company at a cost well below projections, completing a deal that might not otherwise have succeeded.

☐ Our international capital markets arm, Morgan Guaranty Ltd, *is headquartered in London and interacts* with our U.K. corporate bankers. Morgan Guaranty Ltd is a major manager and underwriter of fixed rate, floating rate, and convertible securities in the Eurobond market, and a pioneer in interest rate and currency swaps, deferred rate settings, and the use of contingent securities such as debt and equity warrants. In the last year we completed more than a dozen capital markets transactions for U.K. clients.

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☐ Still another resource available through your Morgan banker: our corporate finance advisors. These industry analysts are skilled in specialities such as optimal capital structure, diversification strategies, and valuations for acquisitions, divestitures, or tax purposes. When our London experts were retained by a U.K. client acquiring a U.S. company, we analysed the client's strategic plan, prepared financial projections, and recommended a capital structure to minimise costs while maximising future flexibility.

Today The Morgan Bank serves most of the U.K.'s major multinationals, as well as many smaller companies that appreciate the high quality of Morgan banking. For more on how we can serve your corporation, write or call John K. McColloch, Vice President, U.K. Corporate Banking, Morgan Guaranty Trust Company, 1 Angel Court, London EC2R 7AE. Telephone (01) 600-2300.

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MINING NEWS

World diamond sales still improving

BY GEORGE MILLING-STANLEY

DIAMOND SALES figures for the first half of 1984 from De Beers' Central Selling Organisation (CSO) at R1.16bn (£620m) topped R1bn for the first time since the all-time peak of R1.27bn achieved in the opening six months of 1980. The CSO handles the marketing of around four-fifths of all rough (uncut) diamonds sold in the world.

This figure represents a rise of 23 per cent over the first half of last year. The increase of almost 50 per cent over sales in the second half of 1983 is not so significant, as it merely represents a continuation of the more normal trend of higher sales in the opening six months of each year as manufacturing jewellers replenish stocks diminished over the Christmas period. This trend was broken in 1982.

Changes in currency parities meant that the increase over the first half of last year was not so spectacular in terms of the U.S. dollar, the normal currency for diamond sales. The dollar figure for first-half sales was $945m, just 7 per cent higher than for the comparable period of 1983.

De Beers said yesterday in London that the rise was generally in line with the gradual improvement in the market which had been expected, but the figures still do not really reflect the continuing strength of retail demand.

The company added that the recovery apparent in the market is being hampered by the strength of the U.S. dollar and the high level of U.S. interest rates. Although there has been no increase in the price of rough from De Beers since March last year, customers outside the U.S. have experienced an effective rise in prices because of the dollar's strength against all other currencies.

These factors are delaying the recovery to more normal conditions in the market, and they are exacerbated by the fact that diamonds are having to compete with purchases of other luxury goods after a prolonged period of recession.

As a consequence of these problems, the CSO is still selling cautiously and selectively, concentrating on giving its 300 or so sightholders the sort of stones they can sell on to the broader market.

The top two colours and qualities are therefore still being withheld from the "sights," the principal selling occasions, of which there are 10 held each year in London.

Untroubled by the strength of the dollar, the U.S. market has continued to improve, with a rise of one-fifth to record levels in imports of polished stones to the country over the first quarter of 1984.

Although the smaller stones continue to make up the bulk of the CSO's turnover, there are signs of an upturn in demand for the larger sizes and better qualities.

This must be interpreted as reflecting the general improvement in economic conditions, as the impact of the emphasis in CSO advertising on these stones, which only began in March, will not be properly felt until the Christmas buying season.

This improvement at the upper end of the market has been mirrored by a slight slowing of activity in the cutting centres on the Indian sub-continent, which have traditionally concentrated on the smaller and less expensive goods, perhaps even with a degree of over-production.

Diamond jewellery for men, another focus of the CSO's advertising in recent years, is apparently becoming increasingly important. At something over 2m pieces, sales of diamond jewellery to men last year reportedly outnumbered engagement ring sales in the U.S. in unit terms, and Japan is also growing in importance.

	Six months to June Rm	Dec Rm	Year's Total Rm
1984	1,160		
1983	960.0	811.0	1,771.0
1982	635.5	724.1	1,359.6
1981	747.5	501.9	1,249.4
1980	1,267.2	874.4	2,141.6
1979	1,085.4	1,106.2	2,191.6
1978	1,063.5	1,155.4	1,218.9
1977	943.4	859.3	1,802.7
1976	681.9	670.0	1,351.9
1975	355.1	438.4	793.5
1974	525.5	313.6	849.4
1973	478.7	441.9	920.6
1972	323.4	332.1	655.5
1971	220.1	226.3	446.4
1970	200.7	177.7	378.4

BOARD MEETINGS

TODAY

Interims:—Bett Brothers.

Finals:—Birmingham Mint, Diamond Stylus, Fleming Overseas Investment Trust, Fuller Smith and Turner, Howden Group, F. H. Lloyd, London and Midland Industrials, Marling Industries, Mabon, Murray Technology Investments, Stroud Riley Drummond, Time Products, United Leasing.

FUTURE DATES

Interims:—

Consultants (Computer and Financial) ... July 23
Electronic Machine ... July 20
Royal Insurance ... Aug 16
TSL Thermal Syndicate ... July 11

Finals:—

British Electric Traction ... July 19
Christie-Tyler ... July 18
Dee Corporation ... July 25
Haslemere Estates ... July 12
Multitone Electronics ... July 19
Stirling Group ... July 12
Triplex Foundries ... July 12

June quarter gold profits keep ahead

A FURTHER increase is shown in the June quarter profits of the seven South African gold mines in the Consolidated Gold Fields group which, as usual, open the industry's quarterly reporting season.

Apart from Deelkraal, which lacked the exceptional benefit of the insurance recovery in the March quarter, all the group's mines have earned more in the June quarter.

Total gold production has risen modestly in the latest three months while, reflecting the appreciation of the U.S. dollar—in which gold sales are made—the average price received by the mines in South African rands has increased 2.18 per cent to R15,579 per kilogramme from R15,247 in the March quarter.

Non-mining and sundry revenue has also increased in the June quarter while tax charges have eased mainly because of exceptionally higher tax-offsetting capital expenditure. These factors have outweighed the impact of an average increase of 4.75 per cent in working costs during the period.

Overall, therefore, the mines' total net profits have risen to R191.6m (£93.5m) in the quarter from £169.5m in the previous three months. Notably good earnings are reported by Driefontein, Doornfontein and Kloof.

The current financial year has started on a less promising note. The price of gold has weakened, although the impact of this on mine revenue continues to be cushioned by the fall in the rand against the dollar and, of course, a recovery in the bullion price may well take place before next June.

But the inevitable rise in mine working costs will increase as a result of the current wage claim by the industry's black mineworkers. At present a dispute exists but it is thought that an eventual settlement over pay and conditions could add some 15 per cent to labour costs.

What remains to be seen is whether higher wages can be accompanied by increased productivity in this labour intensive industry; as with so many other industries wage increases have not been matched by corresponding gains in productivity.

The latest quarterly net profits of the individual mines are compared in the following table.

	June qtr R000	Mar qtr R000	Dec† qtr R000
Deelkraal	9,013	9,351	3,823
Doornfontein	16,262	13,002	15,080
Driefontein	104,607	93,443	88,623
Kloof	47,434	41,187	38,799
Libanon	11,601	9,859	12,498
Venterspost	2,535	2,298	1,681
Vlakfontein	736	371	546

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday July 10 1984

Bumpy ride for Japan Air Lines bond, Page 38

WALL STREET

Support remains sporadic

THE NEW YORK bond market rose sharply yesterday and finally pulled the stock market higher in its wake. The gains in bond prices represented covering operations by market traders rather than genuine investment buying. Investors remained apprehensive of a tightening of Federal Reserve credit policies before the end of this month, *writes Terry Byland in New York.*

However, leading stocks remained unsupported and the Dow Jones industrial average slipped back towards the 1,100 level at midsession in thin turnover.

Stock prices drifted down for much of the day but finally succumbed to the strength of the bond market. Towards the close, when bond prices were showing gains of nearly two points, share prices rose smartly. The Dow Jones industrial average ended a net 11.48 points up at 1134.05, having been as low as 1115.28 earlier. Trading was modest until the last hour, when a late spurt lifted the total of shares traded to 75.3m.

The improvement in bond prices was in part a follow-through from Friday's late gain after the announcement of a smaller than expected rise in M1.

Another favourable factor was the indication that the U.S. Treasury might allow foreign investors in U.S. securities to maintain anonymity.

This will shortly be freed from the 30 per cent withholding tax on such investments.

The uneasy mood of the stock market resulted from investors being unsettled by the belief that interest rates are still heading higher, and that the Federal Reserve may raise its discount rate by half a point from its present 9 per cent.

Selling of equities was light but several analysts suggested that the market could soon be retesting the Dow 1,086 low point of mid-June.

There were fewer takeover features to province highlights in yesterday's drab market. Among the leaders, IBM gave a poor early lead by shedding $¼ to $105½. NCR at $22⅝ gave up $⅜ and Texas Instruments at $123¼ was $1½ lower. Teledyne, and active sput for the past fortnight, followed the general trend to lose $2 to $43½.

Motor stocks traded cautiously as the annual wage negotiation season approached. Suggestions that the Federal Government would seek wage moderation as the price for restraining Japanese imports implied a difficult round of talks.

With oil prices regarded as lacking any strong customer support, Exxon fell $⅛ to $40⅝. Hughes Tool, which makes drilling bits for the oil industry and has been suffering from a lack of business, fell $⅛ to $14⅝.

Mining issues remained weak following last week's dramatic fall in gold prices, and to a lesser extent, in base metal prices.

There was some selling of the Wall Street brokerage stocks as investors braced themselves for another poor set of quarterly results from the industry, which has been laying off employees and cutting back on costs. Donaldson Lufkin Jenrette, one of the major Wall Street firms, saw its stock dip $1¼ to $17⅞.

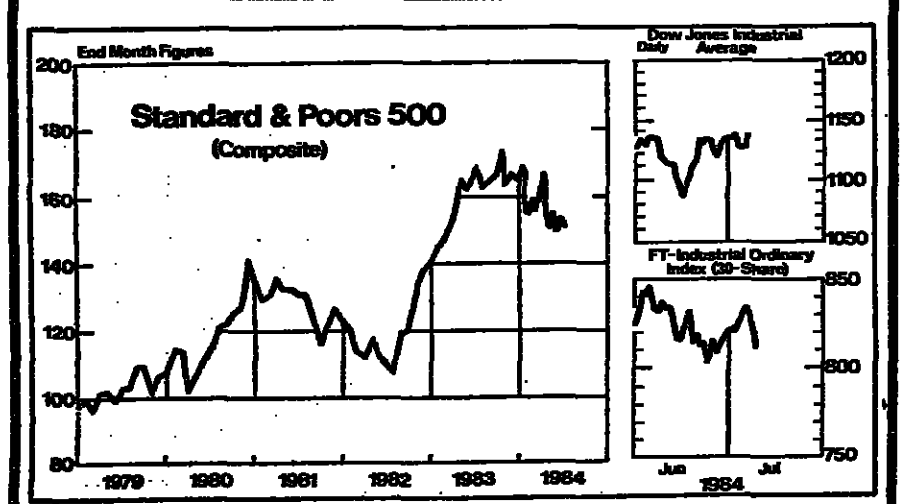
Airline stocks weakened across the board on the fear that a slowdown in U.S. business next year will hurt traffic levels.

The rally in the credit markets was restricted to the longer end, which had been pinned down during the Treasury mini-funding programme, completed last week. *Analysts kept a close eye on* the short end for signs of tightening by the Federal Reserve.

The federal funds rate remained high at 11½ per cent, despite system repurchase help from the Fed. The Treasury bill sector was calm ahead of the result of the weekly auction.

Gains in bonds ranged to one point or more, with the key long bond of 2014 at 100⅝, a net gain of 1⅜ for a yield of 13.22 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 9	Previous	Year ago
NEW YORK			
DJ Industrials	1,134.05	1,122.57	1,207.23
DJ Transport	471.09*	474.69	575.28
DJ Utilities	125.58*	125.67	129.29
S&P Composite	151.81*	152.24	167.08
LONDON			
FT Ind Ord	811.6	819.3	678.5
FT-SE 100	1,033.5	1,042.3	935.9
FT-A All-share	485.07	490.39	434.27
FT-A 500	525.87	532.34	469.65
FT Gold mines	532.3	539.8	659.3
FT-A Long gilt	11.22	11.10	10.88
TOKYO			
Nikkei-Dow	10,373.22	10,461.91	9,012.41
Tokyo SE	788.44	792.06	663.03
AUSTRALIA			
All Ord.	660.4	668.0	614.0
Metals & Mins.	412.9	422.6	542.4
AUSTRIA			
Credit Aktien	53.83	53.91	55.72
BELGIUM			
Belgian SE	142.56	142.66	129.23
CANADA	July 9	Prev.	Yr ago
Toronto			
Metals & Minls	N/A	1,804.8	—
Composite	2,206.6	2,205.3	2,471.3
Montreal			
Portfolio	107.73	107.70	123.86
DENMARK			
Copenhagen SE	184.56	182.44	158.78
FRANCE			
CAC Gen	169.4	n/a	126.2
Ind. Tendance	108.9	109.6	78.4
WEST GERMANY			
FAZ-Aktien	334.44	337.80	330.54
Commerzbank	964.4	973.8	982.4
HONG KONG			
Hang Seng	773.6	822.86	1,036.42
ITALY			
Banca Comm.	209.15	209.11	192.24
NETHERLANDS			
ANP-CBS Gen	157.0	157.8	138.2
ANP-CBS Ind	127.0	127.5	111.1
NORWAY			
Oslo SE	243.29	243.95	191.2
SINGAPORE			
Straits Times	893.49	903.23	977.47
SOUTH AFRICA			
Golds	n/a	894.8	909.5
Industrials	n/a	1010.9	917.5
SPAIN			
Madrid SE	127.57	128.98	118.69
SWEDEN			
J & P	1,479.45	1,484.07	1,354.29
SWITZERLAND			
Swiss Bank Ind	363.5	364.4	336.7
WORLD	July 6	Prev	Year ago
Capital Int'l	172.6	173.4	180.5

GOLD (per ounce)

	July 9	Prev
London	$340.00	$341.50
Frankfurt	$339.00	$353.25
Zürich	$341.00	$353.00
Paris (fixing)	$338.82	$354.82
Luxembourg (fixing)	$343.00	$361.25
New York (July)	$347.80	$345.10

* *Latest available figure*

CURRENCIES

(London)	U.S. DOLLAR July 9	U.S. DOLLAR Previous	STERLING July 9	STERLING Previous
$	–	–	1.3065	1.3175
DM	2.8395	2.8375	3.705	3.735
Yen	242.6	241.2	316.25	317.5
FFr	8.7175	8.7055	11.3675	11.46
SwFr	2.392	2.3875	3.12	3.1425
Guilder	3.2055	3.201	4.18	4.215
Lira	1739.0	1741.5	2266.0	2292.5
BFr	57.675	57.655	75.3	75.9
C$	1.32725	1.32675	1.7335	1.7445

INTEREST RATES

	July 9	Prev
Euro-currencies *(3-month offered rate)*		
£	11 1/16	10 7/16
SwFr	4 11/16	4⅝
DM	5⅞	5⅞
FFr	11⅞	12¼
FT London Interbank fixing (offered rate)		
3-month U.S.$	12⅜	12 5/16
6-month U.S.$	12 13/16	12 13/16
U.S. Fed Funds	11½	11⅛
U.S. 3-month CDs	11.80	11.85
U.S. 3-month T-bills	10.00	9.96

U.S BONDS

Treasury		July 9 Price	July 9 Yield	Prev Price	Prev Yield
13	1986	100 5/32	12.95	99 30/32	13.01
13⅞	1991	101	13.51	100 4/32	13.66
13⅛	1994	97 21/32	13.53	97 7/32	13.66
13¼	2014	99	13.33	98 5/32	13.49
Corporate		**July 9***		**Prev**	
AT & T		Price	Yield	Price	Yield
10⅜ June 1990		86½	13.80	86½	13.80
3⅞ July 1990		71	10.55	71	10.55
8⅜ May 2000		67½	13.85	67½	13.85
Xerox					
10⅞ March 1993		83⅝	14.00	83⅝	14.00
Diamond Shamrock					
10⅞ May 1993		82½	14.15	82½	14.15
Federated Dept Stores					
10⅜ May 2013		76¼	14.05	76¼	14.05
Abbot Lab					
11.80 Feb 2013		84⅜	14.05	84⅜	14.05
Alcoa					
12¼ Dec 2012		84⅞	14.50	84⅞	14.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				July 3
8% 32nds of 100%				
Sept	62–04	62–08	60–25	60–21
U.S. Treasury Bills (IMM)				
$1m points of 100%				
Sept	89.25	89.29	89.18	89.17
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	87.59	87.60	87.43	87.41
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	87.36	87.40	87.31	87.21
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	99–03	100–00	99–00	99–27

COMMODITIES

(London)	July 9	Prev
Silver (spot fixing)	553.20p	573.60p
Copper (cash)	£978.50	£981.50
Coffee (July)	*£2229.00*	*£2227.50*
Oil (spot Arabian light)	$27.82	$27.82

LONDON

Sentiment suffers a setback

SENTIMENT in London financial markets was again dominated by interest rate fears yesterday as another setback in sterling gave cause for concern.

Gilt-edged securities sustained falls ranging to ¾ and occasionally more. Leading equities followed, and South African gold shares suffered another sizeable setback before rallying smartly in line with the price of bullion.

Leading industrials also closed above the day's worst, and the FT Industrial Ordinary index closed 7.7 down at 811.6. The after-hours tone was extremely uncertain following the announcement of a national dock strike.

Selling pressure in the equity sectors was relatively light, but dealers often *found it difficult to place stock which* came on offer. GEC shed 5p to 187p, ICI 12p to 546p and Glaxo 10p to 860p.

Chief price changes, Page 30, Details, Page 31; Share information service, Pages 32–33

HONG KONG

TRADING in Hong Kong was thin and nervous, and despite the severe price markdowns following the prime rate boost, comfort was drawn from the absence of any large-scale selling wave.

But, bereft of buying support, widespread declines resulted. On the property side Hongkong Land lost 30 cents to HK$2.10 – later regarded as possibly overdone – while Cheung Kong and Sun Hung Kai each slid 55 cents to a respective HK$6.40 and HK$4.40.

Banks fared little better: Hang Seng gave up HK$1.75 to HK$28.50 and Hongkong and Shanghai 25 cents to HK$5.45.

Hongkong Telephone, deprived at the weekend of its mobile radio monopoly, shed HK$1 to HK$42. Hutchison Whampoa at HK$9.05 was off 60 cents, while Jardine Matheson on HK$6.35 relinquished a sharper 70 cents.

SINGAPORE

WEAKER SINGAPORE values emerged in slower turnover as speculative activity subsided, and fundamental strength was found lacking while upward pressures remain on interest rates.

The actives list was headed by Pahang Consolidated, 3 cents off at S$1.60. Following it in volume terms were Amcol, 4 cents firmer against the trend at S$2.29, and Pan Electric, down 4 cents to S$2.17.

OCBC shed 15 cents to S$9.55 while 10-cent falls were common to Genting at S$4.80 and Keppel Shipyard at S$2.06. Declines of 5 cents apiece were registered by Fraser and Neave at S$5.20, Haw Par at S$2.09 and Malayan Banking at S$8.30. Both banks stand at 1984 lows.

SOUTH AFRICA

GOLD shares oscillated in busy Johannesburg dealings under the varying influences of bullion price weakness, the dollar's strength against the rand, and promising results being released for Gold Fields group mines.

The close was down but above the day's lows, leaving Randfontein with the heaviest fall of R6 to R167. Gold Fields of SA added 75 cents to R25.25 on the results, while two of its best-performing divisions firmed too: Kloof by 75 cents to R60.75 and Driefontein 50 cents to R43.25.

De Beers recovered early weakness to end 5 cents up at R8.95 amid higher first-half sales figures, while industrials were unsettled by rate rises in prospect.

CANADA

DECLINES were registered in Toronto as gold issues came under pressure from metal price uncertainties and property issues had to contend with a setback reported in the rate of housing starts nationally.

Utilities and banks held up better than the rest in Montreal, where industrials showed weakness.

EUROPE

The dollar's influence dominates

THE CONTINUING strength of the dollar and its implications for interest rates made for caution in many European centres, already depleted by the onset of the summer holiday season.

In Frankfurt, where the dollar was fixed at a 10-year high against the D-Mark before settling back slightly, there were few sellers of equities and even fewer buyers. This was reflected in a 9.4 decline in the Commerzbank index to 964.4 – its lowest since October 12.

The lack of *demand is exacerbated in* West Germany by hesitancy among investors, awaiting a clear indication of the effects on corporate profits of the seven-week metalworkers' strike.

In the severely tested motor sector, Porsche fell DM 8 to DM 957, while Conti-Gummi, trading ex a DM 3 dividend, shed DM 7.50 to DM 114.10. It was also affected by the tyre maker's attempts to limit the size of holdings and stave off any takeover.

Volkswagen dipped DM 1.60 to DM 179, Daimler DM 5 to DM 534 and BMW DM 1 to DM 367.

Banks were lower, with BHF down DM 6 to DM 237 following its announcement of little changed operating profits for the first five months.

Bonds were barely changed as turnover dried to a trickle with operators holding back. The Bundesbank sold DM 16.3m of domestic paper to balance the market after its DM 10.8m of sales last Friday.

Amsterdam was mixed to lower with the strong dollar failing even to boost most international issues.

Unilever, however, benefited from continued buying that began last week following a recommendation from a major U.S. investment banker, adding Fl 1.40 to Fl 257.20 after trading as high as Fl 257.40.

Royal Dutch fell 80 cents to Fl 150.20 but in the publishing sector Elsevier managed a Fl 2.50 rise to Fl 85.50.

Bonds were largely unchanged although small rises were seen in some state loans carrying an 8.5 per cent coupon.

The key 9.5 per cent state issue, due 1987/90, also edged 10 basis points higher to 105.1, having been 30 basis points stronger in early trading.

Zurich ended barely steady in light trading. Lindt added SwFr 100 to SwFr 10,600 but in the opposite direction, tour operator Kuoni shed SwFr 50 to SwFr 6,750 on profit-taking after its recent strong rises.

Bonds were steady, though turnover remained very low.

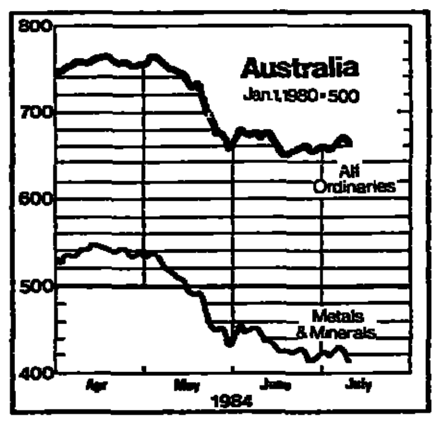
A slightly lower outcome was seen in **Brussels** in low trading volume. Market leader Petrofina went against the trend, adding BFr 20 to BFr 6,610, but only 3,190 shares changed hands.

Chemical stocks remained generally weak with Solvay down BFr 40 to BFr 3,610 but UCB managed a BFr 10 advance to BFr 4,410.

A similarly lower tone was seen in Paris. In the oils sector, Elf Acquitaine added FFr 7 to FFr 227 but Cie Fran*çaise des Petroles shed FFr 4.50 to FFr* 250.50 as the Government announced a sharp increase in a special tax on petroleum products, accompanied by an increase in retailers' profit margins.

Little change was seen in **Milan** shares, while **Stockholm** was lower in thin trading. Interest was, however, shown in Gambro, which fell SKr 35 to SKr 190, ex a one-for-four rights issue, with the shares remaining buoyed by U.S. buying interest.

Copenhagen was marginally firmer while **Madrid** also advanced slightly, continuing its recent upward trend.



AUSTRALIA

A LATE rally enabled Sydney to end above the worst but was insufficient to offset earlier selling in a moderately active session. The All Ordinaries index shed 7.6 to 660.4 and the Metals and Minerals marker a sharper 9.7 to 412.9.

Golds came under pressure following the *pre-weekend bullion price setback*, but later drew benefit from strength in the dollar which would assist profitability of export sales. Central Norseman closed 10 cents down at A$4.90 but had been as low as A$4.50.

BHP meanwhile curtailed its fall to 2 cents at A$9.36, Santos on the energy side slid 14 cents to A$5.80, and banks weakened amid the Labor debate over allowing foreign competition.

TOKYO

Speculative side hit by selling

DWINDLING interest in incentive-backed speculative issues, along with the yen's continued slide against the U.S. dollar, sent share prices lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average lost 35.22 from the close of Saturday's half-day session to 10,373.22. Volume shrank substantially, though, from 452.74m shares on Friday to 189.90m. Losses outnumbered gains by 381 to 271, with 170 *issues unchanged.*

The dollar finished on the Tokyo foreign exchange market yesterday at Y241.95, up 95 points, its rise coming as disappointing news to investors. Caution also mounted against overheated interest in incentive-backed speculatives, the pace-setters for market activity since the beginning of June.

Hardest hit was Kuraray, which shed Y40 to Y750, Y146 off its all-time high of Y896 reached last Wednesday.

Kuraray's slide was prompted by a series of measures to tighten margin trading in the issue enforced by the To*kyo Stock Exchange. On top of this* Daiwa Securities, a strong promoter of Kuraray, on Saturday raised its own margin collateral requirement ratio for the issue to 80 per cent compared with the exchange's 70 per cent.

This dispersed interest in other speculative issues, with Asahi Chemical falling Y8 to Y612, Onoda Cement Y15 to Y337 and Tokuyama Soda Y19 to Y581. Asahi Chemical was the third most active stock with 4.85m shares traded.

Investors, who had been hunting speculative issues for capital gains, began to shift buying interest to some pharmaceuticals.

Blue chips held relatively firm. Fuji Photo Film advanced Y20 to Y1,530, and Sony Y20 to Y3,560. The consensus was that a full-fledged upswing of blue chips needed to be linked to a stronger yen against the dollar and net buying by for*eign investors.*

Nippon Denko, the second busiest stock, stood unchanged at Y533.

The bond market was inactive, with banks and other institutional investors staying on the sidelines, discouraged by the yen's slide. The yield on the benchmark 7.5 per cent long-term government bond, maturing in January 1993, rose from 7.520 per cent on Saturday to 7.525 per cent.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	13¾	AAR	.44	2.1	22	33	21	20⅞	20⅞	
22	14¼	AMCA	n	1.6	8	487	14⅝	14⅜	14⅝	+⅛
18⅞	13⅜	AMF	.50	3.1		182	16½	15⅞	16¼	−¼
41⅞	26⅝	AMR Cp			5	3168	30⅝	29¼	30⅛	+¼
20⅞	17¾	AMR	pf2.18	11.		19	19¼	19¼	19¼	−⅛
41½	29⅝	AMR	pf2.13	6.6		1408	32⅞	31⅝	32⅛	+½
23⅜	19½	ANR	pf2.12	10.		6	20⅝	20⅝	20⅝	
56¾	40¾	ARA	2.10	4.3	10	545	49	48½	48¾	+¼
72⅞	49½	ASA	3a	5.7		1624	53	50½	52½	+1
30¼	17	AVX	.32	1.6	15	70	20	19¾	20	+⅛
53⅞	33¾	AbtLab	1.20	2.9	15	x1202	43⅝	41⅞	43⅛	+⅞
30¼	23¾	AccoWd	.60	2.1	18	104	29¼	29	29⅛	−⅛
27¼	16½	AcmeC	.40	2.4		352	16¾	16½	16⅞	−⅛
12⅛	8⅜	AcmeE	.32b	3.8	24	11	8⅝	8½	8½	−⅛
24⅞	11	AdmDg	.04	.3	7	29	12⅞	12½	12⅞	+⅜
18⅞	15	AdaEx	2.11e	14.		65	15¼	15⅛	15¼	+⅛
19¾	12½	AdmMl	.28	2.2	6	15	13⅛	12⅞	12⅞	−⅛
22	13½	AdvSys	.81t	5.4	15	187	15⅝	15	15	−⅝
18¾	7⅞	Advest	.12	1.4	11	36	8⅝	8½	8⅝	
37½	25⅛	AMD	s		25	3843	31⅛	30⅜	30⅝	+⅜
22½	9⅜	Aerflex			10	36	11¼	11	11	−¼
39⅞	29¾	AetnLf	2.64	8.8	16	850	30¼	29⅞	30	
58⅞	54	AetL	pf5.48e	10.		7	54⅝	54⅛	54⅛	+⅛
35¼	15¾	Ahmns	1.20	6.4	5	464	18⅞	18¼	18⅝	+⅛
7⅞	2¼	Aileen				42	2⅜	2¼	2⅜	+⅛
51	36½	AirPrd	1	2.4	10	235	41⅝	41	41⅜	
30⅞	16	AirbFrt	.60	3.7	9	553	16¼	d15¾	16⅛	−⅛
3⅜	1¼	AlMoa	s			112	3⅜	3¼	3⅜	+⅛
7⅜	6	AlaP	dpf.87	14.		33	6½	6¼	6¼	−¼

B–B–B

C–C–C

D–D–D

E–E–E

F–F–F

G–G–G

H–H–H

I–I–I

J–J–J

K–K–K

L–L–L

M–M–M

N–N–N

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

Continued on Page 30

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-*with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution.* xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

WORLD STOCK MARKETS

AUSTRIA

July 9	Price Sch %	+ or —
Creditanstalt	208	
Goesser	325	—10
Interunfall	398	
Laenderbank	204	—1
Perlmooser	342	—1
Steyr-Daimler	142	
Veitscher Mag	216	—1

BELGIUM/LUXEMBOURG

July 9	Price Frs.	+ or —
ARBED	1,494	—46
Banq Int A Lux	5,050	
Bekaert B	5,950	+60
Ciment CBR	2,340	+5
Cockerill	232	—7
Delhaize	4,850	+50
EBES	2,435	—15
Electrobel	6,740	+60
Fabrique Nat	1,310	
GB Inno BM	5,135	+5
GBL (Brux)	2,325	—5
Gevaert	3,115	
Hoboken	5,110	—10
Intercom	1,870	+10
Kredietbank	6,830	—20
Pan Hldgs	9,520	+30
Petrofina	6,210	+20
Royale Belge	9,070	
Soc. Gen. Banq	3,040	+30
Soc. Gen. Belge	1,685	—25
Sofina	6,040	—30
Solvay	3,010	—40
Traction el	3,485	—25
UCB	4,410	+10
Vieille Mont	3,800	

DENMARK

July 9	Price Kr %	+ or —
Aarhus Olie	225	
Andelsbanken	525xd	
Baltic Skand	650	
CopHandelsbank	231	+1
D. Sukkerfab	660	—10
Danske Bank	227	+1
East Asiatic	190	+2
Forenede Brygg.	900	
Forenede Damp.	117xr	+1
GNT Hldg	475	
I.S.S.B.	625	
Jyske Bank	464	
Novo Ind	2,280	
Privatbanken	259	+2
Provinsbanken	296	
Smidth (F)	227	—1
Sophus Berend	980	
Superfos	454	—1

FRANCE

July 9	Price Frs.	+ or —
Emprunt 4½% 1973	1670	—69
Emprunt 7% 1973	9,200	—310
CNE 3%	3,600	—5
Air Liquide	527	—1
BIC	414	—3
Bouygues	610	
BSN Gervais	2,645	—15
CIT-Alcatel	1,093	—22
Carrefour	1,382	+18
Club Mediter'n	913	—7
CFAO	615	—13
Cie Bancaire	515	—11
Cofimeg	226.0	—8.9
Darty	950	—9
Dumez S.A.	690	—11
Eaux (Cie Gen)	526	—3
Elf-Aquitaine	227	+7
Gen. Occidentale	640	+2
Imetal	86.5	—3.2
Lafarge Coppee	347.0	—2.9
L'Oreal	2,415	—41
Legrand	1,855	—71
Maisons Phenix	209	—1
Matra S.A	1,438	—3
Michelin B	777	+2
Midi (Cie)	1,667	+5
Moet-Hennessy	1,630	—30
Moulinex	102.1	—0.4
Nord Est	47.1	—3.0
Pernod Ricard	771	—20
Perrier	520	
Petroles Fra	250.5	—4.5
Peugeot S.A	199.1	—3.4
Poclain	44.1	—0.2
Printemps Au	141.9	+0.9
Radiotech	272	—4
Redoute	1,110	
Roussel-Uclaf	1,265	+35
Sefimeg	251.0	—0.5
Skis Rossignol	1,345	
Telemech Elect	1,660	
Thompson (CSF)	292.0	+2.5
Valeo	230.2	

GERMANY

July 9	Price Dm.	+ or —
AEG-Telef	91.3	—1.7
Allianz Vers	754	—10
BASF	152	—1.7
Bayer	1570	—1.8
Bayer-Hypo	266	—6
Bayer-Verein	307	—3
BHF-Bank	237	—6
BMW	367	—1
Brown Boveri	215	
Commerzbank	151	—1.1
Cont'l. Gummi	114.1	—7.5
Daimler-Benz	534	—5
Degussa	349	—26.5
D'sche Babcoe	149	—1
Deutsche Bank	327.8	—4.2
Dresdner Bankk.	150.1	—1.8
GHH	135	—2
Hochtief	615	+20
Hoechst	155.5	—2.2
Hoesch Werke	103.5	—1.6
Holzmann (P)	439	—2.5
Horten	160	
Kali und Salz	216	—1.6
Karstadt	237	+4
Kaufhof	209	+1
KHD	226.5	—2.5
Kloeckner	58.2	—1.3
Krupp	77.5	
Linde	355	—4
Lufthansa	140.5	—0.5
MAN	137.5	—1
Mannesmann	134.7	—1.3
Mercedes Hld	472	—0.5
Metallgesell	225	+6
Muench Rueck	1,020	—5
Preussag	256	—3
Rhein West Elect	158.1	+0.1
Rosenthal	230	—5
Schering	329.2	—3.8
Siemens	382	—3.9
Thyssen	76.5	—1.3
Varta	172.5	—2.5
Veba	165.5	—0.5
V.E.W	114.5	—1.5
Verein-West	287	—3
Volkswagen	179	—1.6

ITALY

July 9	Price Lire	+ or —
Banca Com'le	17,400	
Bastogi IRBS	116	+1
Centrale	1,980	
Credito Varesino	4,100	+30
Fiat	4,025	—4
Finsider	35	
Generali Assicur	33,850	—50
Invest	5,140	—20
Italcementi	47,540	+90
Montedison	1,141	—13
Olivetti	5,140	+30
Pirelli Co	3,025	—23
Pirelli Spa	1,680	—6
Snia BPD	1,575	
Toro Assic.	11,299	—81
do. Pref.	8,650	—51

NETHERLANDS

July 9	Price Fls	+ or —
ACF Holding	165	—2.5
AEGON	115.6	—0.2
Ahold	182	+0.3
AKZO	65	—0.4
ABN	314	—1
AMEV	157	—1.3
AMRO	58.4	—0.6
Bredero Cert	177	—0.5
Bos Kalis Westm.	30.2	—0.1
Buehrmann-Tet.	66.5	—0.5
Calland Hldgs	37.1	+0.1
Credit Lyon'is Bk	46.6	+1.6
Elsevier-NDU	85.5	+2.5
Gist. Brocades	144	+0.7
Heineken	127.6	
Hoogovens	48.9	—0.8
Hunter Douglas	29.5	
Int Mueller	34	
KLM	161.8	+0.8
Naarden	37	
Nat Ned Cert	213.5	
Ned. Credit Bank	40	
Ned Mid Bank	136.7	+1.7
Nedlloyd	111.5	+0.5
Oce Grinten	236	—1.5
Ommeren (Van)	27.2	—0.2
Pakhoed	58	—0.3
Philips	46.7	+0.1
Rijn-Schelde	2.9	
Robeco	60	—0.3
Rodamco	139.1	+0.1
Rolinco	57.1	—0.5
Rorento	198.8	+0.5
Royal Dutch	150.2	—0.8
Unilever	257.2	+1.4
VMF Stork	123	+1
VNU	153	—0.5
West Utr Bank	85	—0.1

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

July 9	Price Kroner	+ or —
Bergen Bank	150	
Borregaard	242.5	+2.5
Christiania Bk	157.5	—0.5
Den Norske Credit	152.5	—0.5
Elkem	122.5	
Norsk Data	380	—2.5
Norsk Hydro	590	—5
Storebrand	197.5	—0.5

SPAIN

July 9	Price Pts %	+ or —
Bco Bilbao	336	+2
Bco Central	341	+1
Bco Exterior	206	
Bco Hispano	225	
Bco Santander	334	
Bco Vizcaya	396	+3
Dragados	155	+2
Hidrola	56.5	—0.7
Iberduero	56.7	
Petroleos	137	+1
Telefonica	82	+0.2

SWEDEN

July 9	Price Kronor	+ or —
AGA	340	—2
Alfa-Laval	228	—1
ASEA (Free)	332	—3
Astra (Free)	395	—2
Atlas Copco	124	—1
Boliden	365	—7
Cardo (Free)	337	—3
Cellulosa	142	—4
Electrolux B	251	
Ericsson	322	—2
Esselte	280	—5
Mo Och Domsjo	390xa	—2
Pharmacia	290	
Saab-Scania	406	
Sandvik	400	—5
Skandia	365	—5
Skan Enskilda	315	—1
SKF	193	—4
St. Kopparbergs	735	+5
Sven Handelsbn.	183	—1
Swedish Match	235	+1
Volvo B (Free)	254	

SWITZERLAND

July 9	Price Frs.	+ or —
Alusuisse	775	—8
Bank Leu	3,825	
Brown Boveri	1,365	
Ciba Geigy	2,210	—25
do. (Part Certs)	1,740	
Credit Suisse	2,090	
Elektrowatt	2,350	
Fischer (Geo.)	612	—8
Genevoise	3,400	—150
Hoff-Roche PtCts	94,600	+600
Hoff-Roche 1/10	9,425xr	
Jacobs Suchard	6,200	—25
Jelmoli	1,740	—20
Landis & Gyr	1,330	
Nestle	5,075	—25
Oer-Buehrle	1,085	—15
Pirelli	248	—2
Sandoz (Br)	6,725	
Sandoz (PtCts)	990	—5
Schindler (PtCts)	550	—10
Swissair	930	—10
Swiss Bank	323	—2
Swiss Reinsce	7,475	
Swiss Volksbk	1,350	—20
Union Bank	3,390	—15
Winterthur	2,910	+10
Zurich Ins	17,025	+25

AUSTRALIA

July 9	Price Aust $.	+ or —
ANZ Group	4.46xr	—0.09
Acrow Aust.	1.55	
Alliance Oil D.	0.56	—0.4
Ampol Pet	1.52	+0.04
Aust Cons Ind	1.78	
Aust. Guarant	2.50	+0.05
Aust. Nat. Inds	2.00	
Aust. Paper	2.13	+0.01
Bell Group	4.25	—0.05
Bond Corp Hldgs	1.35	—0.05
Boral	3.30	—0.15
B'ville Copper	1.67	—0.05
Brambles Inds	2.90	
Bridge Oil	2.25	
BHP	9.36	—0.02
CRA	4.53	—0.12
CSR	3.10	—0.05
Carlton Utd	4.40	—0.18
Castlemaine Tys.	4.30	—0.05
Coles (G.J.)	3.65	+0.05
Comalco "A"	2.30	—0.15
Consolidated Pet	0.52	
Costain Aust.	1.20	
Dunlop Aust.	1.65	—0.05
E.Z. Inds.	6.00	—0.02
Elders IXL	3.74	+0.03
Energy Res	1.47	—0.08

AUSTRALIA (continued)

July 9	Price Aust. $	+ or —
Gen Prop Trust	2.08	
Hardie (J.)	3.10	—0.84
Hartogen Energy	2.10	
HeraldW'y Times	3.22	
ICI Aust	1.85	—0.05
Jimb'lana (50cFP)	0.24	
Kia Ora Gold	0.14	
Lend Lease	4.65	—0.1
MIM	2.30	—0.05
Mayne Nickless	3.20	—0.1
Meekatharra	0.48	
Myer Emp	1.70	+0.02
Nat. Com. Bk	3.06	
News	4.00	
Nicholas Kiwi	2.05	—0.06
North Bkn Hill	2.05	—0.09
Oakbridge	0.90	+0.02
Otter Expl	0.45	
Pancont'l	1.05	—0.05
Pioneer Conc	1.83	—0.07
Queensland Coal	1.03	—0.06
Reckitt & Coln	2.45	
Repco	1.28	—0.02
Santos	5.60	—0.14
Smith (H.)	3.65	
Southland Min'g	0.33	—0.02
Sparges Expl	0.35	
Thos. Natwide	1.60	—0.52
Tooth	3.50	
Vamgas	2.90	—0.01
Western Mining	3.57	—0.06
Westpac	3.56	+0.02
Woodside Petrol.	1.03	
Woolworths	2.28	
Wormald Intl	3.55	—0.05

HONG KONG

July 9	Price H.K.$	+ or —
Bank East Asia	17.8	—0.3
Cheung Kong	6.4	—0.65
China Light	10.4	—0.2
Hang Lung Devel	2.3	
Hang Seng Bank	28.5	—1.75
HK Electric	5.05	—0.2
HK Kowloon Wh.	2.8	—0.2
HK Land	2.1	—0.3
HK Shanghai Bk.	5.45	—0.25
HK Telephone	42	—1
Hutchison Wpa	9.05	—0.6
Jardine Math	6.35	—0.7
New World Dev	2.5	—0.32
Orient O'seas	2.02	
O'seas Trust Bk.	2.47	—0.18
SHK Props	4.4	—0.55
Swire Pac A	13.6	—0.8
Wheel'k Mard A	2.65	—0.15
Wheel'k M'time	1.9	
World Int. Hldgs	1.6	—0.16

JAPAN

July 9	Price Yen	+ or —
Ajinomoto	1,190	
Alps Electric	2,000	
Amada	1,080	
Asahi Chem	612	—8
Asahi Glass	768	—4
Bridgestone	580	—5
Canon	1,200	+10
Casio Comp	1,160	+10
Chugai Pharm	1,040	—20
Citizen	479	+8
Daiei	665	—1
Dai Nippon Ptg	900	—4
Daiwa House	529	—3
Ebara	318	
Eisai	995	—15
Fanuc	8,250	+50
Fuji Bank	920	
Fuji Film	1,530	+20
Fujisawa	970	—4
Fujitsu	1,210	
Green Cross	1,620	—01
Hasegawa	355	
Heiwa Real Est.	656	+1
Hitachi	829	+4
Hitachi Credit	1,310	—10
Honda	1,190	+10
House Food	723	—16
Hoya	1,820	—20
Itoh (C)	289	
Ito-Yokado	1,930	—10
Iwatsu	1,300	—10
JACCS	348	—1
JAL	3,150	—30
Jusco	845	—5
Kajima	278	—1
Kao Soap	765	—5
Kashiyama	602	—1
Kirin	569	
Kokuyo	971	—9
Komatsu	487	+9
Konishiroku	570	+2
Kubota	308	
Kumagai	492	—11
Kyoto Ceramic	6,080	—100
Maeda Const.	498	
Makino Milling	1,140	—10
Makita	940	
Marubeni	360	+2
Marudai	623	—2
Marui	1,090	—20
MEI	1,650	
M'ta Elec Works	640	—10
M'bishi Bank	910	
M'bishi Corp	545	+2
M'bishi Elec	377	—1
M'bishi Estate	500	+3

JAPAN (continued)

July 9	Price Yen	+ or —
MHI	228	+1
Mitsui Co	342	
Mitsui Estate	659	+1
Mitsukoshi	356	—5
NGK Insulators	777	—6
Nihon Cement	215	—1
Nippon Denso	1,420	—10
Nippon Elect	1,180	—10
Nippon Express	334	—3
Nippon Gakki	615	+4
Nippon Kokan	144	
Nippon Oil	903	+3
Nippon Seiko	521	+11
Nippon Shimpan	536	+6
Nippon Steel	155	—1
Nippon Suisan	328	—4
NTV	11,510	—190
Nippon Yusen	223	—2
Nissan Motor	624	+1
Nisshin Flour	515	—19
Nisshin Steel	187	+4
Nomura	675	+1
Olympus	900	—10
Orient Leasing	3,200	—80
Pioneer	2,640	+10
Renown	622	
Ricoh	883	+2
Sankyo	807	—2
Sanyo Elect	516	—2
Sapporo	475	—14
Sekisui Prefab	605	—5
Seven-Eleven	8,590	
Sharp	1,070	—10
Shimadzu	530	—2
Shionogi	786	+6
Shiseido	1,080	—10
Sony	3,560	+20
Stanley	660	—10
S'tmo Bank	895	—9
S'tomo Elect	815	—10
S'tomo Marine	385	—14
S'tomo Metal	160	+3
Taihei Dengyo	495	
Taisei Corp	219	+3
Taisho Pharm	900	—2
Takeda	785	—5
TDK	4,840	—40
Teijin	385	—1
Teikoku Oil	675	
Tokyo Marine	561	—4
TBS	770	—15
Tokyo Elect Pwr.	1,020	+10
Tokyo Gas	152	+1
Tokyo Sanyo	662	—4
Tokyo Style	721	—9
Tokyu Corp	285	—2
Toppan Print	755	—5
Toray	413	—5
Toshiba Elect	376	—1
TOTO	580	—1
Toyo Seikan	785	—6
Toyota Motor	1,250	
Victor	2,140	—40
Wacoal	755	—3
Yamaha	511	—4
Yamanouchi	1,300	—40
Yamazaki	667	
Yasuda Fire	284	—2
Yokogawa Bdge.	435	—4

SINGAPORE

July. 9	Price $	+ or —
Boustead Hldgs	2.30	
Cold Storage	3.10	—0.02
DBS	8.00	
Fraser & Neave	5.20	—0.05
Genting	4.60	—0.1
Haw Par. Bros	2.09	—0.05
Inchcape Bhd	2.63	
Keppel Shipyard	2.06	—0.1
Malay Banking	8.30	—0.05
Malay Brew	6.70	—0.05
Multi Purpose	1.19	—0.02
OCBC	9.55	—0.15
OUB	4.08	—0.02
Sime Darby	2.04	—0.05
Straits St'mship	1.48	—0.04
Straits Trdg	5.10	
UOB	4.56	

SOUTH AFRICA

July. 9	Price Rand	+ or —
Abercom	1.75	—0.20
AE & CI	9.3	
Anglo Am Coal	30	
Anglo Am Corp	22	
Anglo Am Gold	137	
Barclays Bank	19	
Barlow Rand	12	—0.9
Buffels	68	—1
CNA Gallo	2.80	
Currie Finance	4.90	
De Beers	8.95	+0.05
Driefontein	43.25	+0.50
FS Geduld	43.5	
Gold Fields S.A.	25.25	+0.75
Highveld Steel	4.8	
Nedbank	13	—0.75
OK Bazaars	16.5	
Protea Hldgs	1.9	
Rembrandt	26.5	+0.5
Rennies	14.85	
Rust. Plat	13.15	
Sage Hldgs	8.00	
SA Brews	6.80	—0.35
Smith (C.G)	20.8	
Tongaat Huletts	10	—0.5
Unisec	5.1	—0.1

CANADA

TORONTO

Prices at 2.30 pm

AMERICAN

Continued from Page 29

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 38

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

BL	59	+ 3
Carlco Eng	142	+12
Early's, Witney	38	+ 5
Jessups	47	+ 3
P&O Defd.	298	+ 4
Preedy (Alfred)	124	+ 8
Rowton Hotels	315	+12

FALLS

Tr 11¾ pc 03-07	£101¾	—£¾
Allied-Lyons	159	— 5
ABP	203	—15
BSR	180	— 8
Beecham	295	—10
BAe	343	—15
Gen Accident	480	—13
GEC	187	— 5
Glaxo	860	—10
ICI	546	—12
Leech (Wm.)	128	— 9
Priest (Ben)	10	— 3
Union Disct	860	—20
Anglo-Am. Coal	£15	—£1¼
Balmoral Res.	26	— 5
ConsGold	473	—12
De Beers Defd.	458	—10
Kalgoorlie	415	—45
Impala Platinum	880	—60
Loraine	293	—33
Peko-Wallsend	258	—20
Randfontein	£86½	—£4⅝
Whim Creek	178	—16

NEW YORK

Indices

Continued from Page 29

WORLD VALUE OF THE DOLLAR
every Friday

LONDON STOCK EXCHANGE

MARKET REPORT

Gilts fall further as pressure on pound continues: equities follow and index down 7.7

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Sentiment in London financial markets was again dominated by interest rate fears. All eyes were again on sterling and yet another setback in the currency against the dollar and in trade-weighted terms gave cause for concern. This follows suggestions that last Friday's increase in UK base lending rates would not be enough to arrest the slide.

The resulting upward pressure on money market rates left its mark on Gilt-edged securities which sustained falls ranging to ¾ and occasionally more. Leading equities followed and South African Gold shares suffered another sizeable setback before rallying smartly in line with the price of Bullion.

Gilt-edged securities opened around ½ point lower following late selling on Friday and drifted off further to record losses stretching to nearly a point at one stage. The afternoon announcement of satisfactory UK producer prices and an early improvement in U.S. bands, however, gave a slight boost to confidence and most quotations began to edge above the day's lowest. Final losses were usually limited to ⅝. The Government securities index eased 0.56 to a new low for the year of 77.23. Apart from currency fears, the market was also apprehensive awaiting the money supply statistics due today and the outcome of this week's Opec talks.

Leading industrials also closed above the day's worst, this being reflected in the Financial Times Industrial Ordinary share index which touched its lowest of the day at 1 pm with a loss of 10.2 before closing 7.7 down on balance at 811.6. The after-hours tone, however, was extremely uncertain following the announcement that a national dock strike had been called as from midnight last night.

Once again, selling pressure in the equity sectors was relatively light but dealers often found it difficult to place stock which came on offer.

Banks steadier

Press comment ahead of the forthcoming interim dividend season helped the major clearing banks regain some composure after Friday's nervous reaction to rumours of a military coup in Argentina. Midland rallied a few pence to 313p and Barclays closed unaltered at 465p. Lloyds, however, softened 5 afresh to 430p as did NatWest to 595p. Meanwhile, Bank of Scotland edged 5 higher to 375p. The prospect of even dearer money and the weakness of gilts depressed Discount Houses. Cater Allen fell 20 to 420p as did Union to 660p, while Smith St Aubyn relinquished a couple of pence to 60p. Apart from Leopold Joseph, which improved 3 to 258p ahead of tomorrow's annual fiures, Merchant banks gave ground. Still unsettled by the £41m cash call, Hill Samuel dropped 5 afresh to 268p. Mercury Securities gave up 7 to 470p and Charterhouse J. Rothschild declined 4 to 84p. Among Hire Purchases, First National Finance Corporation shed 3 at 77½p.

Falls among Composites ranged to 13. General Accident lost that much to 460p and GRE dropped 10 to 560p. Phœnix, not helped by news of labour problems within the group, lost 9 at 463p, while Sun Alliance gave up 5 at 380p. Commercial Union, however, rallied smartly to recover from an initial dull level of 207p to finish a penny dearer on balance at 211p. Life issues closed above the day's lowest levels following publication of Legal and General's good half-year new life business figures. L. and G. ended 4 off at 463p, after 460p, and Hambro Life the same amount down at 378p, after 375p.

Both newcomers to the Unlisted Securities Market made quiet debuts. Bush Radio opened at 87p and moved up to 92p prior to closing at 91p compared with the placing price of 88p. Mayfair City Properties opened at the placing price of 100p and fluctuated narrowly before settling at 101p.

Enterprise Oil, which came to the market last week in controversial circumstances, slipped 2 to 101p; Rio Tinto-Zinc's tender offer of 110p per partly-paid Enterprise share closes today; the latter hopes to raise its stake in Enterprise from 14.7 per cent to 29.9 per cent.

Leading Buildings were mostly a few pence easier on lack of interest. Blue Circle softened 3 to 395p and Redland shed a similar amount to 234p. Tarmac slipped 2 to 430p. Elsewhere, housebuilders William Leech fell 9 to 128p as fears grew that C. H. Beazer's final 145p per share cash offer would not succeed. Among Timbers, May and Hassell shed 3 to 107p, the good annual results and one-four-three scrip issue proposal outweighed by the slightly cautious statement on current prospects. Magnet and Southerns, preliminary results due tomorrow, softened a couple of pence to 142p.

ICI were additionally depressed by workers' share sales and moved steadily lower throughout the official trading session; an after hours' rally saw the shares recover to 554p, but news of the dock strike prompted a fresh reaction which left the close a net 12 down at 546p.

Preedy volatile

Sentiment among leading Retailers remained unsettled by persisting worries that dearer credit and an increase in mortgage rates could adversely affect consumer spending; an attempted mid-afternoon rally failed to gain momentum and most closed at the day's lowest. Woolworth were marked 10 lower to 458p, while Gussies A, 525p, and Burton, 247p, gave up 8 and 6 respectively. Electrical and "white gods" concerns were also friendless with falls of 5 common to Dixons, 242p, and Currys, 243p.

Dealers reported a slightly increased demand for secondary Stores, although by the close most movements were against holders, with the usual batch of weekend Press comment failing to provide impetus. An exception was tobacconists Alfred Preedy which advanced to 130p in a lively trade following Press-inspired talk of a bid from newsagents John Menzies; a statement from the former refuting the article saw Preedy dip to 118p but the shares later rallied to settle 8 dearer on balance at 124p; Menzies eased 3 to 165p.

Having fallen 22 last Friday on a Press suggestion of contracting record-player sales and ensuing redundancies, BSR remained a depressed market in Electricals, closing a further 8 lower at 180p; sentiment being additionally aggravated by Hong Kong worries. Cable and Wireless also reflected concern about its far-eastern interest and lost 5 to 295p. Despite favourable week-end Press comment, GEC fell to 184p before closing 5 lower at 187p. Thorn EMI lost 5 to 518p ahead of Thursday's preliminary figures. Elsewhere, AB Electronics gave up 10 to 435p and Electrocomponents relinquished 9 at 258p. Webber, however, responded to the increased first-half earnings with a rise of 5 at 175p.

Engineering leaders were again dragged lower with the general trend but closed well above the day's lowest in places. Hawker ended 4 off at 425p, after 420p, while Vickers relinquished 5 at 166p, after 163p. Secondary issues were featured by Carclo which jumped 12 to 142p in response to the bumper annual profits. Benjamin Priest, on the other hand, fell to 8p before closing 3 down on the day at 10p on sporadic offerings and lack of support.

Among leading Foods, Unigate, which announced good annual results last week, encountered profit-taking and shed 4 to 124p. Recent bid favourites Rowntree Mackintosh lost a similar amount at 276p, while Cadbury Schweppes gave up a penny at 122p. On a brighter note, Batleys of Yorkshire gained the turn to 69p in response to the increased annual profits and dividend. Dealings in Freshbake resumed at 110p with a close of 105p compared with the suspension price of 91p, details of acquisitions worth some £6m having been circulated.

British Aerospace down

Beecham and Glaxo, both 10 lower at 295p and 860p respectively, led the decline of the miscellaneous industrial leaders. Pilkington closed 8 off at 245p and Unilever softened 5 at 895p. Elsewhere, British Aerospace plummeted 15 to 343p on the absence of bid developments; Thorn EMI last week withdrew its merger proopsals but BAe is still negotiating with GEC. Neil and Spencer softened a few pence to 30p following the interim statement and Brengreen eased a penny to 48p ahead of tomorrow's preliminary figures. De La Rue dropped 15 to 620p and Polly Peck lost 8 at 180p.

Motor sectors contributed to the general downturn, although the odd firm feature was apparent. BL stood out with a gain for 3 to 59p, after 60p, amid hopes that the current decline in sterling will boost Jaguar sales in the U.S. and therefore increase interest in the pending flotation. Weekend comment drawing attention to the chairman's bullish outlook lifted Group Lotus a couple of pence to 61p. Components showed modest losses with AE, 77p, and Dowty, 143p, both 2 off; the latter is due to announce preliminary figures Thursday week. Among Distributors, Jessups responded to favourable comment and hardened 3 at 47p, but British Car Auction eased a few pence to 95p, while Lex Service came on offer and dipped to 336p before settling a net 10 cheaper at 360p.

The fear of another round of base rate increases undermined confidence in recently firm Properties. Prices drifted progressively lower during the "House" session, but a late rally left leading quotations with only minor losses on balance. Land Securities settled a couple of pence off at 280p, as did MEPC, at 290p. Haslemere Estates finished 4 cheaper at 496p, after 494p, and Samuel softened 2 to 143p. Capital and Counties, a shade easier at one stage, picked up to close a penny dearer on balance at 184p. Secondary issues displayed an isolated firm spot in Peel Holdings which firmed 4 to 258p after favourable Press comment.

South African industrials displayed widespread and heavy losses reflecting the continuing weakness of bullion and the increase in domestic interest rates. Barlow Rand were hardest hit, closing 80 lower at 615p, while substantial losses were also seen for Messina and Unisec, both at 250p, and for South African Breweries, 348p.

The announcement of a national dock strike prompted renewed dullness in Associated British Ports; already showing a double-figure fall in the wake of a weekend "sell" recommendation, the shares reacted afresh to close 15 cheaper on balance at 203p.

Oils easier

Nervousness in front of today's OPEC meeting in Vienna left the leading Oils showing widespread losses, although many closed above the day's lowest levels. Ultramar were particularly unsettled and dropped 11 to 256p, after 253p while falls of around 7 were common to BP, 445p, Britoil, 225p, Shell, 623p and Tricentrol, 186p.

Golds volatile

Mining markets remained highly sensitive to the volatility in bullion markets and moved erratically throughout the day.

Bullion continued its recent downward path and fell to a low of $332 in early trading before rallying to close only $1.5 cheaper on balance at $340 an oz.

The swings in South African Golds were even more marked. A number of leading Golds opened on a steady note, reflecting sizable American support in late trading on Friday night. However, the renewed weakness in bullion in initial dealings was followed by substantial selling from Johannesburg and London sources and heavy losses ensued throughout the list of Golds.

The Gold Mines index posted a 7.5 decline at 532.3, thereby extending the loss over the past six trading days to one of 112.6.

The extent of the erratic trend in Golds was mirrored by Randfontein; down around £12 over the previous two trading days the shares plunged to £83¾ before rallying strongly to close a net £4¾ lower at £86½ on the day. Vaal Reefs fell to £73¾ in mid-morning business prior to closing ¾ firmer on balance at £76½, while gains in the region of a point were common to President Brand, £27, St Helena, £20 and Western Holdings, £29½. The quarterly reports from the mines in the GFSA group had little effect on sentiment, although Driefontein rallied from around £21½ to close only ½ cheaper at £22½ and Libanon improved from £18½ to end the day a net £1¼ off at £19¼.

Financials and Platinums sustained further heavy losses. De Beers dropped to a 1984 low of 452p in front of the half-year diamond sales figure but later recovered to close a net 10 down at 458p. Anamint came under sizeable selling pressure and dropped £5 to £46, as did "Johnnies," £51.

Platinums showed Impala 60 lower in 880p and Rustenburg 30 easier at 665p.

Cons. Gold Fields were a notable weak spot in UK Financials and fell 12 more to 473p, after a year's low of 468p. Hampton Areas lost a further 7 to a low of 158p but RTZ hardened a couple of pence to 542p.

Australians remained depressed by the showing by both precious and base-metal markets. In the leaders Peko-Wallsend gave up 20 to 258p and CRA 6 to 288p. Golds were mixed. Central Norseman closed 13 up at 293p, after 308p, but GMK dropped 45 to 415p and Whim Creek slumped 16 to 178p. In the speculatives, Balmoral Resources gave up 5 to 26p and Southern Resources 11 to 62p.

Demand for Traded Options improved and total contracts struck amounted to 4,010, well above last week's disappointing daily average of 2,990. The FTSE 100 attracted 417 calls and 628 puts, 305 of the latter in the September 1025 series. Among the stocks, ICI were lively and recorded 682 calls, the July 550 and 600's attracting 345 and 255 trades respectively, and 185 puts.

FINANCIAL TIMES STOCK INDICES

	July 9	July 6	July 5	July 4	July 3	July 2	year ago
Government Secs	77.23	77.79	78.03	78.22	78.09	78.22	79.84
Fixed Interest	81.82	82.25	82.40	82.38	82.31	82.40	82.98
Industrial Ord.	811.6	819.3	833.5	834.1	821.3	823.1	678.5
Gold Mines	532.3	539.8	562.4	599.9	606.3	626.9	659.2
Ord. Div. Yield	4.88	4.84	4.77	4.77	4.83	4.82	4.72
Earnings, Yld.% (full)	11.34	11.26	11.07	11.07	11.22	11.21	9.32
P/E Ratio (net) (*)	10.60	10.70	10.86	10.86	10.71	10.73	13.35
Total bargains (Est.)	16,630	16,645	15,466	18,388	17,530	18,389	19,915
Equity turnover £m.	—	213.88	182.84	251.88	183.98	213.35	190.20
Equity bargains	—	12,251	13,764	15,799	12,461	13,537	16,303
Shares traded mln.	—	126.8	103.1	168.4	120.7	138.6	116.7

10 am 816.4. 11 am 811.9. Noon 809.3. 1 pm 809.1. 2 pm 809.1. 3 pm 810.6.

Basis 100 Govt. Secs. 8/1/58. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.13.

HIGHS AND LOWS / S.E. ACTIVITY

—	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	77.23 (9/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed. Int.	87.48 (14/3)	81.82 (9/7)	150.4 (28/11/47)	50.03 (3/1/75)
Ind. Ord.	922.8 (3/5)	770.3 (4/1)	922.8 (3/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/3)	580.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

	July 6	July 5
Daily Gilt Edged Bargains	153.7	131.1
Equities Bargains	79.2	82.7
Value	432.3	369.6
5-day Average Gilt Edged Bargains	144.3	141.5
Equities Bargains	83.7	87.5
Value	422.8	436.9

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon July 9 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri July 6 Index No.	Thurs July 5 Index No.	Wed July 4 Index No.	Tues July 3 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (205) ... 99 ALL-SHARE INDEX (742)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon July 9	Day's change %	Fri July 6	xd adj. today	xd adj. 1984 to date
British Government 1 5 years ... 8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Mon July 9	Fri July 6	Year ago (approx.)
British Government 1–15 / Debs & Loans / Preference / Index-linked	[illegible]	[illegible]	[illegible]

BRITISH GOVERNMENT INDEX-LINKED STOCKS

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing Price p	+ or –	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
250	F.P.	9/8	340	315	♣Saxon Oil	315	.....
335	Nil	13/8	55pm	60pm	Systems Designers 5p	58pm	.....
45	Nil	24/8	10pm	8pm	Uniflex 10p	8pm	–2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ▌Allotment letters (for fully-paid). ‖‖ Introduction. ♣ Unlisted Securities Market. § Placing price. †† Official London Listing. ‡ No par value.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (27)

AMERICANS (11)
Amer. Tel. & Tel. · Ameritech · Brunswick · Esmark · Exxon · Gulf Corp. · Houston Nat. Gas · NYNEX · Quaker Oats · Saul (B. F.) · Shell Oil

CANADIANS (2)
Hollinger · [illegible]

BANKS (1)
Bank of Scotland

ELECTRICALS (2)
Godwin Warren · [illegible] Automation

FOODS (1)
Freshbake Foods

HOTELS (1)
Rowton Hotels

INDUSTRIALS (4)
Continental Group · IC Inds. · Dover Corp. · Pentland Inds.

PAPER (2)
Boase Massimi Poll. · JWT Inc.

PROPERTY (2)
Peel Hldgs. · Wereldhave NV

TEXTILES (1)
Early's of Witney

NEW LOWS (221)

BRITISH FUNDS (75)
INT. BK. & O'SEAS GOVT. STLG. ISS. (8)
CORPORATION LOANS (4)
COM'WEALTH & AFRICAN LOANS (1)
LOANS (11)
AMERICANS (2)
CANADIANS (1)
BANKS (1)
BREWERS (2)
BUILDINGS (5)
CHEMICALS (1)
STORES (5)
ELECTRICALS (8)
ENGINEERING (3)
FOODS (3)
HOTELS (1)
INDUSTRIALS (24)
LEISURE (4)
MOTORS (2)
PROPERTY (3)
SHIPPING (2)
SOUTH AFRICANS (8)
TEXTILES (1)
TRUSTS (5)
OILS (3)
MINES (40)

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
RTZ	16	540	–20
Thorn EMI	16	523	– 6
Cns Gold Flds	15	485	–22
Brit Aerospace	14	358	–10
BP	14	452	–18
Cable & Wire	13	300	–15
Shell Trans	13	630	–10
ICI	12	558	–16
NatWest Bank	12	600	–15
BTS Intnl	11	188	–22
GEC	11	192	– 4
Security Cntrs	11	270	+ 5
Sedgwick	11	276	– 2
Bowater	10	249	– 9

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Beecham	295	–10
Commercial Union	211	+ 1
Cons Oil Fields	473	–12
De Beers Deferred	458	–10
Enterprise Oil New	101	– 2
GEC	187	– 5
G. M. Kalgoorlie	4015	–45
Impala Platinum	880	–60
ICI	546	–12
Leech (Wm.)	128	– 9
Preedy (A.)	124	+ 8
Randfontein Ests	£86½	– 4¾

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	—	102	—
Corpns Dom & Foreign Bonds	—	38	43
Industrials	110	482	816
Financial & Props	35	141	345
Oils	11	48	61
Plantations	—	6	14
Mines	15	102	58
Others	85	72	99
Totals	256	991	1,436

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5
Aug 6	Aug 17	Nov 8	Nov 19

Share Information Service.
For rate indications see end of

Call options were arranged in Birmid Qualcast, Cable and Wireless, Southend Stadium, Aspinall, Acorn Computer, Applied Holographics, United Parcels, Premier Oil, Brunswick Oil, Strong and Fisher, Eglinton Oil and Gas, Southwest Resources, Hongkong Land, Jardine Matheson, British Aerospace, Ladbroke and Prestwich Parker. Puts were done in Petranol and Fleet Holdings, while doubles were taken out in Eglinton and Harold Ingram.

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS 15,014

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
B.P. (*456)	420	35	52	—	3	10	—
	460	13	30	42	15	26	35
	500	3	17	26	55	63	72
	550	1½	8	15	105	112	118
Cons Gold (*472)	460	30	—	—	8	—	—
	500	8	30	40	32	43	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
LASMO (*278)	260	27	38	47	8	15	22
	280	18	25	35	20	30	35
	300	10	22	28	37	42	47
	330	5	15	20	62	65	70
	360	2½	10	—	92	95	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 6. Total Contracts 3,082. Calls 1,681. Puts 1,401.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100 17/32	100 1/32	Treas 12pc 1984	100 1/32	−1/16	11.97	10.31
105 3/8	102 1/4	Treas. 15pc 1985	102 1/4	−3/32	14.67	10.98
102 3/4	100 5/8	Exch. 12pc Cnv. '85	100 5/8	−1/16	11.93	10.92
95 1/2	93 1/8	Treas 3pc 1985	94	−1/16	3.19	10.41
102 5/8	100 1/16	Treas 11½pc 1985	100 1/16xd	−1/8	11.45	11.04
99 3/4	97 1/16	Treas 8¾pcCnv '85	97 3/16	−3/16	8.99	11.32
104 1/16	100 13/16	Exch. 12¼pc 1985	100 13/16	−1/8	12.14	11.41
103 13/16	99 15/16	Exch. 11¾pc '86	99 15/16	−1/8	11.76	11.72
102 3/16	97 1/16	Treas. 10pcCnv 1986	97 1/16	−1/16	10.30	11.85
90 1/16	88 1/4	Treas 3pc 1986	90 1/16	−1/16	3.33	8.83
102	97 1/4	Exch. 10½pc Cv '86	97 3/4	−1/8	10.74	11.84
104 3/16	100 1/16	Treas 12pc 1986	100 1/16	−1/2	11.99	11.93
98 3/4	94 1/8	Treas 8½pc 1984-86‡‡	94 7/16xd	−1/16	8.99	11.58
108 11/16	103 3/8	Exch. 14pc 1986	103 5/8	−1/16	13.51	12.09
87 1/4	85	Exch. 2½pc 1986	86 1/8	−1/4	2.90	9.13
107 13/16	102 3/8	Exch. 13¼pc 1987	102 3/8xd	−1/2	12.94	12.12
100 3/8	95 1/4	Treas 10¼%Cv '87	95 1/4xd	−1/16	10.70	12.29
86 1/8	83 1/8	Exch 2½pc 1987	83 13/16	−1/16	2.98	9.54
101 1/16	95 1/4	Exch. 10½pc 1987	95 3/4	−5/8	10.97	12.34
92 11/16	87 1/4	Funding 6½pc '85-87‡‡	87 3/4	−1/16	7.41	11.72
99 3/8	94 1/2	Treas. 10pc 1987	94 1/2	−1/16	10.58	12.27
85	81 7/16	Treas 3pc 1987	83 1/2xd	−1/8	3.60	9.48
105	99 1/8	Treas. 12pc 1987	99 1/8	−5/8	12.11	12.28
94 7/8	88 7/8	Treas 7¾pc 1985-88‡‡	88 7/8xd	−1/16	8.72	11.67
100 3/4	94 9/16	Exch 10½pc '88	94 9/16	−1/4	11.10	12.17
98 7/16	91 7/8	Treas 9¾pc Cv '88	91 7/8	−13/16	10.61	12.42
82	77	Transport 3pc '78-88	79 1/2xd	−1/2	3.79	9.41
96 13/16	90 3/4	Treas. 9½pc '88	90 3/4	−5/8	10.49	12.35
106 1/4	96 7/8	Treas 11½pc 1989	96 7/8	−13/16	11.87	12.38
95 3/16	90	Treas 9½pc Cnv. '89	90	−1/4	10.56	12.31
95 1/2	93 3/16	Treas 10½pc 1989	93 3/16	−1/8	11.25	12.30

Five to Fifteen Years

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100 1/16	90 1/4	Exch.10pc 1989	90 1/4xd	−1/2	10.95	12.36
85 1/8	77 1/2	Treas 5pc 1986-89	78 7/8	−1/4	6.44	10.63
112 1/4	102 1/4	Treas 13pc 1990‡‡	102 1/4xd	−5/8	12.67	12.36
110 3/4	103	Exch. 12½pc 1990	103 7/8	−5/8	12.49	12.44
£93 1/4	£84 7/8	Treas 8¼pc 1987-90‡‡	£85 7/8	−£5/8	9.67	11.75
98 13/16	90 5/8	Treas. 10pcCv 1990	93 5/8	−5/8	11.15	12.37
£107	£96 7/8	Treas 11¾pc 1991	£96 7/8	−£5/8	12.13	12.45
84 1/8	75 5/8	Funding 5¾pc '87-91‡‡	76 3/8	−1/8	7.63	11.02
105 3/4	95 5/8	Exch. 11pc 1991	96 1/8	−1/2	11.72	12.28
112 7/8	101 5/8	Treas 12¾pc 1992‡‡	101 5/8xd	−5/8	12.47	12.32
100 5/8	93 1/4	Treas 10pc 1992	93 1/4	−1/8	11.18	12.15
111 1/8	102 1/2	Exch. 12¼pc '92	103 1/2	−1/2	12.35	12.45
117 1/2	107 3/8	Exch 13½pc 1992	108 5/8	−5/8	12.88	12.56
113 1/4	100 5/8	Treas 12½pc 1993‡‡	100 5/8xd	−5/8	12.41	12.36
78 3/4	71 3/4	Funding 6pc 1993‡‡	72 1/8	−1/2	8.51	11.23
121 1/4	108 5/8	Treas 13¾pc 1993‡‡	109 3/4	−1/2	12.78	12.34
126 1/4	110 7/8	Treas 14½pc 1994‡‡	117 1/2	−1/2	12.91	12.27
120 5/8	107 7/8	Exch 13½pc 1994	108 1/2	−1/2	12.76	12.45
114 1/8	104 3/4	Exch. 12½pc 1994	105 3/4	−1/2	12.42	12.38
94 1/2	84 1/4	Treas 9pc 1994‡‡	84 1/4	−1/8	10.77	11.80
109 1/4	97 1/2	Treas 12pc 1995	97 1/2xd	−5/8	12.25	12.34
64 1/4	59 3/8	Gas 3pc '90-95	59 1/2	−1/4	5.09	9.03
99 1/8	88 3/4	Exch. 10¼pc 1995	88 3/4xd	−3/8	11.54	12.15
117 3/4	105	Treas 12¾pc 1995‡‡	105 1/4	−1/2	12.34	12.15
122 5/8	109 3/4	Treas. 14pc '96	109 3/4xd	−1/4	12.75	12.37

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

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Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

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BEERS, WINES & SPIRITS

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CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
315	172	Rowton Hotels	315	+12	7.38	0.9	3.3	49.4
12	7	Ryan Hotels 5p	10	—	—	—	—	—
296	274	Savoy "A" 10p	274	−2	2.0	5.6	1.0	18.3
129	86½	Stakis 10p	126	+1	†2.0	2.8	2.3	17.6
79	62	♦Strikes Resorts	63	.....	1.6	4.5	3.7	7.3
134	93	Trusthouse Forte	112	.....	††4.13	1.7	5.3	(11.5)

INDUSTRIALS (Miscel.)

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
130	100	AAH	101	−1	†5.62	2.4	7.9	7.3
£34	£30	AGA AB (K50)	£31½	.....	Q20%	1.2	2.8	21.8
357	303	AGB Research 10p	330	.....	†7.0	1.5	3.0	27.5
118	88	AIM 10p	115	.....	5.75	0.4	7.1	—
152	125	♦Aarnoite Group	140xd	.....	d2.5	2.8	2.6	17.6
68	46	Aaronson Bros. 10p	56	−1	2.1	1.9	5.4	11.5
44	32	Abbey Ltd.	40	.....	Q22.5%	2.7	‡	4.8
47	14½	Aberfoyle Hldgs. 5p	41½	−½	—	—	—	—
84	69			−1				

INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
45	37	Maclellan 20p	38	......	1.6	2.1	6.2	(8.8)
138	44½	Macpherson (D.)	138	......	♦7.25	0.1	2.3	—
64	47	Magnolia Group	47	......	2.5	3.2	7.6	4.6
64	43	♦Mainmet Hldgs 10p	45	......	—	—	—	45.7
270	157	Man. Ship Can. £1	224	......	5.5	3.5	3.5	11.5
95	71	Marley	71	−1	3.2	2.1	6.4	9.9
58½	40	Marling Ind. 10p	58½	+1	†1.08	1.7	2.6	(26.1)
46	29	Marshall L'ry. 'A'	33	......	1.2	3.6	5.2	(5.9)
54	37	Marshall's Univ.	46xr	......	♦H1.75	—	5.4	13.8
30p	22p	Martin-Black	22pd	......	—	—	..	—
£108	£88	♥Mathesons 7¾%	£98	......	Q7¾%	2.3	8.2	—
378	296	Metal Box £1	314	−4	15.0	3.0	6.8	5.3
220	129	Metal Closures	166	−4	6.3	Φ	5.4	Φ
27	13	♦Metal Sciences 2½p	19	−1	—	—	—	—
19	8	Metamec Jentique	10½	......	0.01	—	—	—
133	83	♦Midland Marts	88	......	4.0	Φ	6.5	Φ
64½	45	Mitchell Cotts	54	−½	3.62	1.0	8.9	(15.4)
29	16	Moben Grp 1p	16	......	0.5	2.5	4.5	(10.1)
168	132	Morgan Crucible	163	−1	7.5	1.2	6.6	(16.5)
18	13½	♦Morris (W) Fine Arts	16½	......	bg0.25	4.0	2.2	15.1
95	88	Moss (Robt.) 10p	92xr	......	2.5	2.9	3.9	11.2
330	197	♦NMW Computers	302	+2	6.0	3.0	2.8	16.8
65	50	Nash Inds.	50	......	4.0	2.2	11.8	5.6
47	30	Neil&Sp'ncer 10p	30	−3	—	—	—	12.9
70	45	New Equip. 10p	70	......	♦1.15	6.5	2.3	9.4
33	16	Newman Industs	20	−2	—	—	—	(11.3)
31	16½	Do. 10pc Cp. Cnv. Pf.	20	−1	10%	—	7.1	—
67	43½	Nolton	55	+1	1.0	2.9	2.6	19.3
175	146	Norcros	151	−2	7.5	2.4	7.3	7.7
86	59	Nu-Swift 5p	62	......	—	—	—	12.1
100	55	Oakwood Grp.	55	−5	♦d6.5	—	‡	—
190	145	Office & Elect.	175	+5	7.5	2.8	6.1	7.8
875	700	Oriflame Intl SA	808	......	Q53c	2.2	4.5	10.0
46	34	Ovenstone 12½c	34	−2	Q4.5c	2.2	7.6	6.1

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australians

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
45	24	♥ACM 50c	24	−3	—	—	—
38	22	♥Allstate Expl'n NL	22	......	—	—	—
10½	4	♥Asia Oil & Minerals	4½	−¼	—	—	—
19	12	♥Aust. Hydrocarbons NL	17	......	—	—	—
29	18	♥Australis Mng NL	18	−½	—	—	—
45	15	♥Balmoral Res.	26	−5	—	—	—
36	21½	♥Black Hill Mins.	23	......	—	—	—
104	77	♥Bond Corp	87	−3	Q10c	0.7	7.5
177	106	♥Bougainville Fina.	106	−1	Q16.4c	1.2	10.1
406	284	♥CRA $2	288	−6	Q12c	1.5	2.7
86	44	♥Carr Boyd 20c	44	−2	—	—	—
40	25	♥Central Kalgoorlie	25	......	—	—	—
24	20	♥Central Pacific	21½	......	—	—	—
4¼	2¼	♥Cons. Gld Mg Areas NL	2¼	−¼	—	—	—
9½	4½	♥Coopers Res. NL	4½	−½	—	—	—

[illegible]

Tins

[illegible]

Miscellaneous

1984 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							
955	675	Cons. Murch. 10c	700	+25	†Q100c	1.4	8.0
£20¾	£15	Eastern Trns. Cns. 50c	£15xd	−1	Q90c	Φ	3.3
For Echo Bay Mines see Canadians							
252	175	Hampton Areas 10p	175	−7	3.75	Φ	2.9
205	150	♥Highwood Res.	150	−15	—	—	—
£24½	£16	Homestake Mining $1	£16¾	+¼	Q20c	—	0.9
365	275	Northgate C$1	285	......	—	—	—
718	540	RTZ	542	+2	18.0	2.5	4.7
£155½	£121½	Do. 9¼pcLn '95-2000	£121½	−2½	Q9½%	35.4	17.8
110	55	♥Sabina Inds C$1	60	......	—	—	—
£11¾	875	♥Tara Expln $1	912	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Φ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 163(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3)
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ☨ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § *Forecast dividend; cover on earnings updated by latest interim statement*
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ß No par value

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; [illegible]

REGIONAL & IRISH STOCKS

[illegible]

OPTIONS — 3-month call rates

Industrials				Property	
[illegible]		[illegible]		Woolworth Hldg	60
BOC Grp	27	ICI	42		
BSR	26	"Imps"	12	**Property**	
Babcock	17	ICL	7½	Brit Land	13
Barclays Bank	45	Ladbroke	23	Cap Counties	16
Beecham	32	Legal & Gen	45	Land Secs.	25
Blue Circle	40	Lex Service	40	MEPC	25
Boots	16	Lloyds Bank	50	Peachey	17
Bowaters	25	"Lots"	3	Samuel Props	12
Brit Aerospace	20	Lucas Inds	28	Sterling Guar.	4
BAT	25	"Mams"	14		
Brown (J.)	3	Marks & Spcr	20		
Burton Ord	22	Midland Bk	56	**Oils**	
Cadburys	11	NEI	10	Brist. Oil & Min.	9
Comm Union	16	Nat West Bk	60	Brit Petroleum	55
Courtaulds	11	P & O Dfd	25	Burmah Oil	17
Debenhams	14	Plessey	20	Charterhall	9
Distillers	22	Racal Elect	18	Premier	5
Dunlop	5	RHM	8	Shell	65
FNFC	6½	Rank Org Ord	24	Tricentrol	13
Gen Accident	42	Reed Intnl	40	Ultramar	40
Gen Electric	16	Sears	8		
Glaxo	70	TI	22	**Mines**	
Grand Met	30	Tesco	16	Charter Cons.	24
GUS 'A'	55	Thorn EMI	55	Cons Gold	53
Guardian	50	Trust Houses	18	Lonrho	12
GKN	20	Turner Newall	10	Rio T Zinc	60
Hanson Tst	17	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 31

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

[illegible] EC4P 4DX. 01-236 1833

High Income				
[illegible]	109.4	115.8	-1.3	10.36
[illegible]	60.3	64.2	-0.6	6.08
Capital Growth				
American Growth	98.5	104.8	+0.5	1.84
[illegible]	56.8	60.3	-0.5	[illegible]
Capital Reserve	[illegible]	52.5	-0.1	0.80
Commodity & Engy	[illegible]	72.2	-1.4	3.19
General	[illegible]	91.7	-1.6	2.91
Japan	[illegible]	140.7	-1.2	0.21
UK Growth	56.5	60.7	-0.1	2.80
Acc. Units	78.9	84.8	-0.9	2.80
U.S. Emerging Co's	48.6	51.7	+0.2	0.50
Worldwide Bond	144.5	153.7	+0.3	3.58
Equitas Prog	126.1	134.9	-1.6	3.97

Aitken Hume

30, City Road, EC1Y 2AY 01-628 6626

American Tech Fd.	116.5	124.7		0.20
Inc & Gwth Fd	33.5	35.7	-0.5	4.42
Pacific Fd	121.4	129.8	-0.4	0.30
Secured Income Fd	117.2	125.5	-1.5	5.90
Special Sits.	149.0	159.2	-1.0	0.97
Energy Fd	38.9	41.7	-0.3	0.60
American Majors	48.1	51.5	..	2.00
Small Co's Fd	254.1	272.0	-1.6	1.97
Jap. Technology	53.1	56.8	+0.2	0.20

Allied Unit Trusts Limited (a)(g)

Allied Hambro House, Hutton, Brentwood, Essex Brentwood. (0277) 211459 & 229123

Balanced Trusts				
First Trust	129.8	137.6	-1.8	4.94
Growth & Income Tst.	82.6	87.8	-1.3	4.09
Capital Trust	155.1	164.4	-2.3	3.52
Balanced Trust	223.6	237.0	-3.5	4.19

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)

Salisbury House, 31, Finsbury Circus, London EC2
01-588 2777 Dealing: 01-638 0478/0479
Britannia Viewpoint 01-341 5656

UK Specialist Funds				
Growth Gilt Trust	49.2	49.9	-0.2	0.90
Recovery	61.6	67.8	-2.0	3.59
Smaller Cos.	91.7	97.8	-0.4	1.75
Spec. Mkt. Sits.	64.4	68.7	-1.4	2.80
Un. Blue Chip	57.1	60.9	-1.0	3.80
High Income Funds				
Nat. High Inc.	120.6	128.6	-1.7	6.75
Extra Inc.	46.8	49.9	-0.4	8.46
Inc & Growth.	122.2	130.3	-1.6	5.87
Gilt	24.2	25.5	-0.3	10.62
Pref Shares	18.1	19.3	.....	10.89
Sector Specialist Funds				
Commodity Shares	124.5	132.8	-3.3	2.70
Financial Secs.	28.5	30.4	-0.3	3.07
Gold & General	23.4	25.2	-1.0	3.10
Int. Leisure Mk	10.0	10.7	..	0.00
Prop. Shares	34.3	36.6	-0.2	1.82
Univ. Energy	69.8	74.5	-0.8	0.55
World Tech	42.2	45.0	+0.2	0.06
Overseas Funds				
American Growth	67.1	71.6	+0.2	2.82
Am. Smaller Cos.	21.0	22.4	+0.1	0.12
Am Spec. Sits	62.0	66.1	+0.3	0.88
Australian Growth	59.6	63.6	-1.8	1.97
Far East	32.7	34.9	-0.9	0.68
Hong Kg. Perfmnce.	15.0	16.0	-0.9	4.20
Intl. Growth	95.2	101.5	-0.9	2.34
Japan Perf. Trust	33.3	35.5	-0.2	—
Japan Smllr Co's Tst.	11.1	11.8	+0.1	—

FS Investment Managers Ltd.

190 West George St., Glasgow. 041-332 6462

FS Balanced Gwth Fd	112.4	122.8	...	

Fidelity International Management Ltd.

River Walk, Tonbridge, TN9 1DY. 0732 362222

American	68.9	73.3	-0.5	0.96
Amer. Spec. Sits	44.5	47.4	.....	—
Gilt & Fixed Int.	27.7	28.6	-0.1	11.34
Growth & Income	52.0	55.4	-0.5	5.63
Japan Special Sits	20.9	22.3	-0.3	—
Japan Trust	64.9	69.5	-1.3	—
Managed Int. Tst.	64.2	68.4	-0.3	0.17
Max. Inc. Eq. Tst.	46.0	49.0	-0.5	7.27
Special Sits.	74.8	79.6	-1.1	0.92

James Finlay Unit Trust Mngt. Ltd.

10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	57.1	61.4	.....	0.68
Accum. Units	72.6	78.1	.....	0.68
J. Finlay High Income	46.4	49.9	.....	8.28
Finlay Wld. Energy	16.7	17.9	.....	2.33
Accum. Units	22.6	24.3	.....	2.33
J. Finlay Fd In. Tst.	69.9	75.3	.....	3.45
Accum. Units	100.2	107.7	.....	3.45

Prices on July 4. Next dealing July 11.

Robert Fleming & Co Ltd

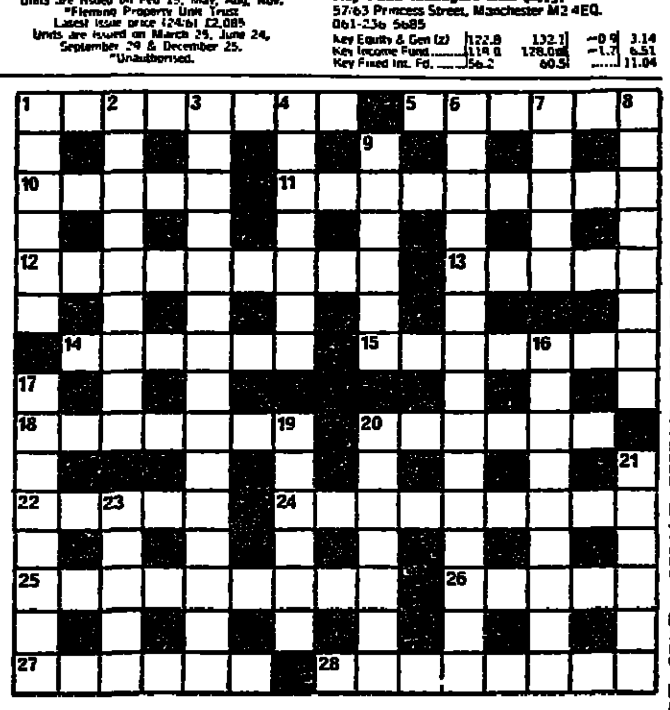
8, Crosby Square, EC3 8AN. 01-638 5858

Am Ex Fd*	£253.69	258.81	...	1.69
Jap Ex Fd*	£188.33	194.34	...	1.22

Next subscription day July 16 1984
*Fleming American Property Unit Trust
Latest issue price (15/5) US$11,248
Units are issued on Feb 15, May, Aug, Nov.
*Fleming Property Unit Trust
Latest issue price (24/6) £2,085
Units are issued on March 25, June 24, September 29 & December 25.
*Unauthorised.

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,461



ACROSS

1 Use cannon to get a meteor (8)
5 Cane on board? (6)
10 Safety device on guns? (5)
11 Opener in ship's company belonging to sea port (9)
12 Frequency or otherwise of events, we hear (9)
13 It gives rise to food and drink (5)
14 Spoil for a fight? It is in one's bones (6)
15 Much of one who made films for the French came from the underground (7)
18 Serving soldier with Southern heart is in (7)
20 Astute about means of applying pressure (6)
22 Singer twisting top of trousers (5)
24 Supplier of liquor, last in exchange (3-6)
25 Peer in Iolanthe goes to the left, lazy fellow! (9)
26 Dash'd if it isn't an antelope! (5)
27 Somewhat disloyal creature, woman (6)
29 Attention to principle? (8)

DOWN

1 Survival of ship guarded by sword (6)
2 Loth to disturb clutter surrounding article (9)
3 Fine fellow from university, East, drawn by extortioners (5, 4, 1, 5)
4 Chance of the moment in mutiny centre (7)
6 Holiday message from wee house — why I err? (4, 3, 4, 4)
7 Thanks about animal transport for otter (5)
8 Gun with zero capability (8)
9 Parson or art investigator (Old English) (6)
16 Bird to eat on picnic? (9)
17 Con man, as it were, with article of gold (8)
19 Recent ill-humour sounds sexy (6)
20 Stalky and Co., right and wrong rank (7)
21 Swallow in black? (6)
23 Turn up the television and bring in a drink, Jeeves (5)

Solution to Puzzle No. 5,460

INSURANCE, OVERSEAS & MONEY FUNDS

Save & Prosper Group
4, Gt St Helens, London EC3P 3EP 0708-66966

Global Equity Fund (z)	79.2	83.9	−0.5	—
Bal. Inv. Fd	259.4	274.5	−1.0	—
Property Fd *	277.7	293.9	...	—
Gilt Fd	217.2	229.9	−0.7	—
Deposit Fd.†	189.1	200.2	...	—
Man. Pens. Fd.†	513.6	543.5	...	—
Equity Pens. Fd.	505.6	535.1	−6.3	—
Prop Pens. Fd.*	621.9	658.2	...	—
A. G. Bond Fund (z)	64.9	68.7	−0.2	—
Dep Pen Fd†	197.5	209.1	...	—
Gilt Pens Fd	189.1	200.2	−0.3	—
Global Eq Pens Fd	59.6	63.1	−0.5	—

*Prices on June 27. ‡Weekly dealings.

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth. 0705 827733

Equity	494.5	520.6	−1.7	—
Fixed Interest	236.6	249.2	−1.9	—
Managed	269.5	283.8	−1.1	—
Deposit	178.8	188.3	+0.1	—
Overseas	170.0	179.1	+1.7	—
Property	275.0	289.6	....	—
American	166.1	174.9	−5.2	—
Australian	113.5	119.6	−2.1	—
European	166.8	175.7	+1.2	—
Gilt & Fxd Int.	132.5	139.6	−0.2	—
Income Accum	213.5	224.9	−1.4	—
Income Distrib	169.0	178.0xd	−1.1	—
International	165.4	174.2	+0.4	—
Japan Smllr Co's	102.0	107.5	+0.9	—
Singapore & Malay	138.9	146.3	+0.1	—
Smaller Co's	217.0	228.5	−1.0	—
Tokyo	179.0	188.5	+0.5	—
U.K. Equity	198.3	208.8	−0.2	—
ECM Vanguard Mngd	207.8	218.8	−1.5	—
Equity Pension	281.6	296.5	−1.3	—
Fxd Int Pension	188.6	198.6	−1.5	—
Guaranteed Pens.	110.8	116.7	+0.1	—
Index-Linked Pens.	90.3	95.1	−0.6	—
Managed Pension	648.5	682.7	−2.7	—
Deposit Pension	108.4	114.2	+0.1	—
Overseas Pension	157.7	165.9	....	—
Property Pension	240.3	253.0	+0.1	—
Special Ex Pension	167.8	176.7	−0.1	—

Prices are for Life Series 4 Accum; Pension Series C Accum July 25.

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks.
Aylesbury (0296) 5941

Managed	252.1	265.4	−1.9	—
Property	231.1	243.3	...	—
Fixed Int.	149.6	157.5	−1.0	—
UK Equity	237.1	249.6	−2.4	—
Int. Equity	200.2	210.8	−4.1	—
Deposit	135.6	142.8	...	—
American Eagle	95.1	100.2	−1.7	—
Technology	85.2	89.7	+0.1	—
U.S. Special Bond	114.0	120.1	−0.3	—
Pacific	87.2	91.8	−2.8	—
Australian	100.6	105.9	−1.5	—
Japan	134.0	141.1	−11.0	—
Malaysia & S'pore	122.9	129.4	−0.4	—
Commodity	118.4	124.7	−2.5	—
Energy	85.5	90.0	−2.5	—
Gold	111.9	117.8	−4.8	—
Financial	111.7	117.6	−1.0	—
Income	130.4	137.3	−5.4	—
Special Situations	156.3	164.6	−5.9	—
Preference	96.1	101.2	−0.1	—
Managed Currency	74.1	78.1	+0.1	—
Sterling	—	—	.....	6.5
Pension Funds				
Managed Pension	618.7	651.3	−5.3	—
Gilt Pens.	268.6	282.8	−2.4	—
Property Pens.	273.8	288.3	.....	—
Equity Pens.	252.5	265.8	−5.2	—
American Pens.	70.5	74.3	−1.2	—
Technology Pens.	83.8	88.3	+0.2	—
Japan Pens.	104.1	109.6	−10.3	—
Australian Pens.	82.7	88.2	−1.7	—
Commodity Pens.	91.2	96.0	−2.2	—
Energy Pens	89.5	94.3	−2.5	—
Gold Pens.	78.4	82.6	−3.3	—
Index-L Plan	101.5	106.9	−0.3	—
Guar. Pen.	196.5	206.7	+0.2	—
Currency Pens.	100.4	105.7	+0.2	—

Prices quoted are for Accumulation units.

Transinternational Life Ins. Co. Ltd.
55-57, High Holborn, WC1V 6DU. 01-831 7481

Series 2 Man. Fd.	179.2	188.6	.....	—
Series 2 Equity Fd.	213.0	224.2	.....	—
Series 2 Prop. Fd.	174.2	183.3	.....	—
Series 2 Fixed Int. Fd.	176.5	185.7	.....	—

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

COMMODITIES AND AGRICULTURE

Metals depressed by fall in gold price

BY JOHN EDWARDS, COMMODITIES EDITOR

METAL MARKETS were depressed yesterday by the fall in the gold price to the lowest level for two years and the threat of higher interest rates in the U.S.

At the same time, though, prices on the London Metal Exchange were sustained by the decline in sterling against the dollar, and further falls in stocks held in LME warehouses.

Copper, for example, ended the day virtually unchanged in London in spite of losing further ground in New York in early trading. Copper stocks in LME warehouses fell by 4,225 tonnes, reducing total holdings to 222,925 tonnes.

Aluminium stocks were down by 2,300 tonnes, to 142,175 tonnes; lead by 2,550 to 65,500 tonnes, zinc by 1,650 to 63,650 tonnes; nickel by 618 to 23,652 tonnes; and LME silver holdings by 1,704,000 ounces to 49,604,000 ounces.

Tin stocks rose by 200 tonnes to 35,835 tonnes. The impact of currency movements on the metal markets was well illustrated by tin. Prices in London rose to record levels, with standard grade cash tin gaining £45 to £9,460 a tonne, while in Malaysia overnight the Straits tin price remained at the Tin Agreement floor of M$29.15 a kilo.

Silver prices dropped to the lowest level for 23 months in early trading with the London bullion spot price cut by 20.4p to 553.2p an ounce at the morning fixing. It rallied, however, to close at 560p, only 7p down on Friday's close, though the dollar equivalent at 730.5 cents was 17 cents lower.

Lead was hit by news that Asarco had cut its domestic U.S. selling price by 2 cents to 30 cents a pound.

Zinc suffered a setback, too, following an announcement by Preussag, the West German smelter, that it was cutting zinc production by 1,300 tonnes in July and August to match lower demand in the holiday season.

Though the cut in output is very small it provides added confirmation that the shortage of supplies has eased considerably in recent months.

Aluminium values continued to decline. The cash price lost £12.5 to £872 in spite of the fall in warehouse stocks and the three months quotation lost £11 to £893.75, breaking below £900 for the first time since March last year.

Chile mines still hampered

SANTIAGO — Some mining operations in Chile are still suffering the effects of last week's storms, which killed at least 21 people across the country, with another 29 missing, officials said.

The El Teniente division of Codelco, the state-owned copper corporation, said its two concentrating plants were working at 70 per cent capacity only.

It said, none the less, that mining and smelting operations had not been affected at El Tteniente, which produced 304,900 tonnes of copper out of Chile's total 1,257,100 tonnes last year.

The Disputada complex, owned by an Exxon Corporation subsidiary, said the Los Bronces mine would probably be closed for two weeks because two electricity pylons had been brought down by an avalanche. Los Bronces produced 38,052 tonnes of copper last year.

The El Indio mines, owned by St. Joe's Minerals, said work was halted for safety reasons. El Indio produced 5,000 tonnes of copper concentrate last year with a high gold and silver content.

Reuter

Response to environment groups 'insufficient'

By Maurice Samuelson

Fisheries and Food (MAFF) and the Environment Department were insufficiently responsive to public concern about the countryside, a House of Lords committee said yesterday.

In a report on agriculture and the environment the Select Committee on the European Communities said it was understandable that some farming-community members should resent the often exaggerated criticisms levelled at them by environmentalists.

However, the admirable record of increased farm productivity had been achieved by a rapid pace of change which had proved unacceptable to sections of public opinion.

In the committee's opinion both MAFF and the Environment Department were insufficiently responsive to public feeling and adopted an unnecessarily narrow attitude to the Treaty of Rome's provisions on environmental protection.

It also urged the Environment Department to play a more active role in safeguarding environmental interests and said it should no longer be content merely to follow MAFF's line.

Urging the British Government not to wait for a lead from the EEC in this field it added:

"The care of the countryside in the UK is first and foremost a national responsibility. By a revision of priorities, by a change in administrative attitudes, and by closer co-operation with statutory and voluntary bodies it should be possible to achieve with the present level of funding a more appropriate balance between the needs of agriculture and other environmental interests."

Agriculture and the Environment: 20th report of the Lords European Communities Committee; 352 pages; SO; £14.40.

Sombre mood at Royal Show

Farmer's Viewpoint: By John Cherrington

THERE WAS no mistaking the sombre mood of many farmers attending the Royal Show at Stoneleigh, Warwickshire, last week. This was not confined to dairy-farmers still reeling from the sudden impact of quotas. Almost every one I met seemed certain that worse was to follow, and that sheep, beef and cereals were going to be next in line.

Sir Richard Butler, president of the National Farmers Union, in an early Press conference said governments had led farmers up the garden-path, coaxing them to invest in production which, now that it was coming to fruition, was not wanted. Farmers' confidence had been badly dented.

This stung Mr Michael Jopling, the Agriculture Minister, to the rejoinder that his predecessors Mr Peter Walker and Mr John Silkin had constantly warned the Council of Ministers of the dangers inherent in the European Economic Community's open-ended guarantees but had been outvoted. He did not mention that either minister, had he government backing, could have vetoed these expensive decisions.

Mr Jopling, since taking office, has consistently warned farmers something would have to be done. In fairness it is not his fault that farmers took no notice. His warnings, however, have been in such vague, generalised terms that no single farmer could believe it would occur to him personally.

After all, why should a farmer who received a 40 per cent grant (EEC- and nationally-funded) to increase his dairy unit to a size which could only be viable through increasing output, believe that within days the Community would slash his milk production.

This point was put to me several times at the Royal Show by makers of milking machinery. They said the British market had been killed stone-dead by imposition of quotas.

Those companies with international ramifications claimed things were not quite so bad elsewhere. Britain, however, has been a real growth area up until last year.

Some of the show stands were almost deserted. The sole points of interest seemed to be items like cream-separators and butter-churns. These, I suppose, some farmers would use to turn their over-quota milk into a saleable article.

It is ironic that these are made only in Iron Curtain countries and on the Continent where small farmers are still plentiful. This, however, may not be a way of escape from the quota impact. I was told that under the rules even home manufacture like this could be liable for quota restrictions.

It made me recall my early farming days when, to improve my returns over those provided by the Milk Marketing Board, I made Devonshire (or clotted) cream for sale by the roadside.

The difficulties of manufacture, allied to those of marketing with a demand that varied most capriciously, made me quite glad, in the end, to retire from this enterprise.

The situation is causing redundancies among the dairy-equipment makers, many of whom told me they could see no return to the sort of business they had been enjoying. I was told farmers in their present mood were not even replacing wearing parts swiftly.

While I was at the show Dairy Crest, the Milk Marketing Board's manufacturing branch, announced 30 redundancies. It told me its milk intake is significantly down; so much so that output of manufactured products, butter in particular, could be much reduced.

Already, surplus skim milk which pig-farmers can buy cheaply is being restricted. This is partly the result of quotas, which have caused farmers to reduce compound feeding, but also of the drought which is serious in parts of the South-west and Wales.

The fall in compound sales is partly reflected in the interest being shown in systems for home-mixing of animal feeds. There are in theory attractive savings to be made by home-making all animal feeds. Contractors offer such a service and plenty of machinery is available.

This is made even more attractive by the marked fall in the cost of all the raw materials, mainly proteins, and because cereals from the coming harvest will be well down on last year's prices.

Mr Jopling re-emphasised the need to minimise the obnoxious effects of straw-burning. Some manufacturers have produced machinery to dispose of straw in the soil. I need such machinery myself but the type I require is in short supply and I will have to wait until next year to be fully equipped.

Travelling to the Royal Show enabled me to see a good cross-section of the South Midlands, never considered particularly good arable land. This year's wheat crop, which seems to be predominant, is quite the best I have ever seen. The same is true of the rest of the country, I am told.

Its appearance is a pleasure for any farmer to contemplate but its disposal is probably going to be as contentious as that of milk, in EEC terms. No wonder farmers are apprehensive.

Right to burn straw 'ought to be kept'

FARMERS NEEDED to keep the right to burn surplus straw until a better way was found to dispose of it but they would have to exercise extreme care, said Mr Simon Gourlay, deputy president of the National Farmers Union.

Mr Gourlay, chairman of the union's Working Party on Straw-burning, said yesterday: "The surplus straw problem will not disappear overnight. This year's harvest will produce more than 6m tonnes of straw which farmers cannot use and no one else will buy or even take away. This straw is a major fire risk.

"Controlled burning of straw, with properly constructed fire-breaks and constant supervision, is the safest way of dealing with surplus straw."

● DEMAND for tea at yesterday's London auctions was selective for the 25,219 packages on offer which included 3,600 offshore.

● FOOT and mouth disease which has broken out on Greece's border with Turkey is expected to cost stockbreeders $1m (£700,000) in lost cattle. At least 500 beef-cattle in Evros province are affected. Up to twice that number will be destroyed.

● JAPANESE wool purchases rose to 1.38m 163-kg bales in 1983-84 (end-June) from 1.15m in 1982-83, trading-houses said.

● NEW ZEALAND wool futures ended a fairly active day in London with gains from Friday's close of two to eight NZ cents a kilo following yesterday's steadier market in New Zealand, brokers said.

● AUSTRALIAN beef exports are expected to decline 16 per cent to 430,000 tonnes this year from 512,000 tonnes last year, according to Australian Meat and Livestock Corporation forecasts.

● BRAZIL'S soyabean crop this year is now estimated at 15.2m tonnes, up 100,000 tonnes from earlier forecasts, the U.S. Agriculture Department said.

Good prospects for grain harvests despite setbacks

FINANCIAL TIMES REPORTER

BRITAIN IS set for a near-record cereal harvest this year in spite of the drought and the threat of further European Economic Community cuts on farm production. Acreages planted to most cereals, oilseed rape and beans for animal feed are up, according to Agriculture Ministry provisional figures.

Wheat acreage is up as much as 16 per cent, to 4.17m acres which will yield 11.9m tonnes, compared with 10.7m tonnes last year; winter barley-planting is up by as much as 10 per cent, to 2m acres, and the expected yield should be well above the 10m tonnes harvested last year.

Ministry officials said it was too early to predict accurately but crops in the fields looked very good and all the indications were that the harvest would be high.

Meanwhile the International Wheat Council, at its recent meeting in Ottawa, said that unless the weather deteriorated markedly world wheat production this year could set a record of about 505m tonnes (1983: record 496m tonnes).

It said world trade should remain unchanged at 99m tonnes and forecast consumption at 490m tonnes (1983: 483m tonnes). World carryover stocks are projected to rise by 10m tonnes to 130m tonnes at the end of 1984-85.

World production of course grains could reach an 800m-tonne record this year. In the U.S. a 239m-tonne crop is forecast, up 101m tonnes on last year. World carryover stocks could rise by 28m tonnes to 107m tonnes at the end of 1984-85.

In Moscow, Western agricultural attachés believe a Soviet grain harvest estimate of 180m tonnes may have been too pessimistic. They predict a yield of more than 190m tonnes this year.

In Chicago at the weekend Conrad Leslie, the private crop-forecaster, in association with E. F. Hutton, estimated this year's U.S. winter wheat crop at 1,993,739,000 bushels.

PRICE CHANGES

In tonnes unless stated otherwise	July 9 1984	+ or —	Month ago
Metals			
Aluminium	£1100	......	£1100
Free Mkt	$1190-1220	—20	$1370/400
Copper			
Cash h Grade	£978.5	—3.00	£999
3 mths	£998.75	—0.5	£1020.25
Cash Cathode	£983.25	+0.25	£1003.5
3 mths	£1001.75	+0.25	£1018.5
Gold troy oz.	$340	—1.5	$378
Lead Cash	£353.5	—3	£346.5
3 mths	£353.75	—1.5	£347.75
Nickel	£5202	......	£5097
Free Mkt	209.229c	—2	215/255c
Palladium oz.	$135.50	—1.75	$151.50
Platinum oz.	$345	+6.5	$386.50
Quicksilver†	$285/305	—3	$295/305
Silver troy oz.	553.20p	—20.4	644.95p
3 mths	566.60p	—20.5	659.80p
Tin cash	£9460	+45	£9135
3 months	£9397.5	+35	£9072.6
Tungsten	$85.23	......	$84.14
Wolfram22.04lb	$82/87	......	$88/89
Zinc	£632	—4	£709
3mths	£630.75	—3.75	£658.25
Producers	$1040	......	$1080/1090

	July 9 1984	+ or —	Month ago
Oils			
Coconut (Phil)	‡	......	$1400
Groundnut	‡	......	‡
Linseed Crude	‡	......	‡
Palm Malayan	$555z	......	$825
Seeds			
Copra Phil.	$700y	+50	$840
Soyabean (U.S.)	$276.75u	......	$322.2
Grains			
Barley Fut. Nov.	£109.95	—0.40	£106.80
Maize	£153.50	......	£151.50
Wheat Fut. Nov.	£110.10	—0.25	£107.45
No2 Hard Wint	‡	......	‡
Other commodities			
Cocoa ship't*	£1813	—18	£1971.5
Futures Sep	£1747.5	—18	£1906.5
Coffee Ft. Sep	£2263.5	+1.5	£2281
Cotton A Index	81.40c	+0.2	85.15c
Gas Oil Aug	$237	—1.5	$242.75
Rubber (kilo)	62.75p	+1.75	64p
Sugar (raw)	$96.25y	—0.5	$108.5
Woolt'ps 64s	468p kilo	—1	475p kilo

‡ Unquoted. z Sept. w Aug. u Aug-Sept. y July-Aug. † Per 75lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.75-27.90	—
Dubai Fateh	27.60-27.75	—0.03
Arab Heavy	26.70-26.80	—0.03
North Sea (Forties)	28.30-29.00	+0.5
North Sea (Brent)	28.45-29.05	—0.02
African (Bonny Lt'ht)	28.80-29.00	—0.1
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	267-272	—
Gas Oil	230-235	—
Heavy fuel oil	176-179	—

GAS OIL FUTURES

The gas oil market opened unchanged and weakened slightly during the day in line with softer physicals and a stronger dollar, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
July	233.50	—2.00	235.50-33.50
Aug.	237.00	—1.50	238.00-36.75
Sept.	240.75	—1.00	241.25-40.50
Oct	244.50	—1.00	245.25-44.25
Nov.	247.00	—1.25	248.00-47.00
Dec.	249.00	—1.50	249.75-49.00
Jan.	250.00	..	250.00
Feb.	249.25	+1.25	—
March	240.50	—5.00	—

Turnover: 512 (841) lots of 100 tonnes.

GOLD MARKETS

Gold fell $1¼ an ounce from Friday's close in the London bullion market yesterday to finish at $339½-340½, its lowest closing level since August 1982. This represented a significant recovery from the day's low however with a lowest quotation of $332-332¾. It opened at $344¾-345¼ and made little progress to a high of $345½-346½. Most of the day's decline came in European centres with trading adopting a much steadier tone later in the day, apart from an initial flurry, on the opening of U.S. markets.

In Paris the 12½ kilo bar was fixed at FFr 95,1000 per kilo ($338.82 per ounce) in the afternoon compared with FFr 93,500 ($333.40) in the morning and FFr 99,100 ($354.82) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 30,700 per kilo ($336.21 per ounce) against DM 32,535 ($358.19) on Friday and closed at $338¾-339½ from $353-353¾.

In Luxembourgh the dollar per ounce equivalent of the 12½ kilo bar was $343.00 from $361.25 on Friday.

In Zurich gold closed at $340½-341½ from $352¾-353¾.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
July	—	—	355.00
Aug.	340.70-41.30	—10.00	348.00-34.00
Oct.	337.00-48.30	—9.80	—
Dec	—	—	353.00-50.00
Feb.	—	—	—
April	—	—	—

Turnover: 512 (771) lots of 100 troy ounces.

	July 9		July 6	
Gold Bullion (fine ounce)				
Close	$339½-340½	(£260¾-261)	$341-342	(£259-259¼)
Opening	$344¾-345¼	(£262¾-263¼)	$360½-361	(£275-275½)
Morning fixing	$332.50	(£253.875)	$358	(£270.761)
Afternoon fixing	$338.50	(£257.944)	$353.25	(£267.249)

Gold and Platinum Coins July 9					
Krugrnd	$351-351¾	(£268½-269¼)	King Sov	$81-82½	(£63½-63¼)
½ Krug.	$181¼-182	(£138¾-139¼)	Victoria Sov	$81-82½	(£62½-63¼)
¼ Krug.	$92¼-93	(£70½-71¼)	French 20s	$64½-66½	(£49½-50¾)
1/10 Krug.	$37¾-38½	(£28¾-29½)	50 Pesos Mex	$418-421	(£319¾-322)
Mapleleaf	$350¾-351½	(£268¼-269)	100 Cor. Aust	$328-332	(£251-254)
New Sov.	$80¼-81	(£61¼-62)	$20 Eagles	$575-585	(£440-447½)
½ New Sov.	$48¼-49	(£37-37½)	Noble (Plat.)	$354¾-358¾	(£272-275)

EUROPEAN MARKETS

ROTTERDAM, July 9.

Wheat—(U.S. $ per tonne): U.S. Two Soft Red Winter Aug 153, Sept 153.50, Oct 156.50. U.S. Two Northern Spring 14 per cent protein July 184, Aug 176.50, Sept 173.50, Oct 177, Nov 180. U.S. Northern Spring 15 per cent protein July 189.50, Aug 182, Sept 179.50, Oct 183.50, Nov 185.50. U.S. Three Hard Amber Durum July 182, Aug 180, Sept 177, Oct 180, Nov 183. Canadian One Western Amber Durum July 183, Aug 190, Oct/Nov 196, Nov-Dec 199.

Maize—(U.S. $ per tonne): U.S. Three Yellow July 157, Aug 154.50, Sept 148, Oct/Dec 135.75, Jan/March 142 sellers. Argentine Plate afloat 166, mid-June/mid-July 163, mid-July/mid-Aug 167 sellers.

Soyabeans—U.S. Two Yellow Gulf Ports. Aug 270.75, Sept 270.75, Oct 259.10, Nov 258.70, Dec 261.50, Jan 265.50, Feb 270.40, March 273.80 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent July 184, Aug 184, Sept 186, Oct 189, Nov-March 198 sellers. Pellets Brazil afloat 176, June 179, July 177, Aug 180, Sept 185, Oct 189, Oct-Dec 195 sellers. Pellets Argentine afloat 173, June 175, July 175, Aug 178, Sept 182, Oct 184.50, Oct-Dec 195 sellers.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES were generally easier on the London Metal Exchange following the latest downturn in precious metals. COPPER dipped to £998.5 but rallied to close the late kerb at £1,001.5 reflecting the renewed weakness in sterling. LEAD closed at £357, after £350 and ZINC was finally £633.5, after £629. ALUMINIUM and NICKEL closed at £894.25 and £3 572.5 respectively while buffer stock support boosted forward standard TIN to £9,500 on the late kerb.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	978.5-9	—10.5	978-9	—5
3 months	998.5-9	—9	998.5-9	—.5
Settlem't	979	—10.5	—	.....
Cathodes				
Cash	982-.5	—10.5	983-.5	+.25
3 months	1001.5-2	—8	1001.5-2	+.25
Settlem't	982.5	—10.5	—	.....

Amalgamated Metal Trading reported that in the morning three months Higher Grade traded at £1,001, 1,00.5, 999.5, 99.5, 99. Cathodes: Three months £1,001, 01.5, 02. Kerb: Higher Grade: Cash £983 three months £1,002. Kerb: Higher Grade: Three months £1,000, 01, 01.5. Turnover: 28,875 tonnes. U.S. Producers: 63-69 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	9465-7	+27	9490-2	+36
3 months	9430-2	+24	9451-3	+24
Settlem't	9470	+29	—	.....
Standard.				
Cash	9430-40	+57.5	9455-65	+45
3 months	9372-5	+32	9395-400	+35
Settlem't	9440	—40	—	.....
Straits E.	$29.15	—	—	.....

Tin — Morning: Standard: Three months £9,370, 65, 70, 75, 73. High Grade. Cash £9,470, three months £9,430. Kerb: Standard: Three months £9,375, 80, 75. High Grade: Three months £9,430. Afternoon: Standard: Three months £9,380, 85, £9,400. Kerb: Standard: Three months £9,390, 85. Turnover: 3,150 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	325-.5	—12	353-4	—3
3 months	351.5-2	—12.75	353.5-4	—1.5
Settlemt	352.5	—12	—	.....

Lead—Morning: Cash £352.5, three months £354, 53.5, 53, 52.5, 52. Kerb: Three months £352, 51, 50.5, 50. Afternoon: Three months £352, 53, 53.5, 53. Kerb: Three months £358, 57.5, 57. Turnover: 9,500 tonnes. U.S. Spot: 30-34 cents per pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	621.5-2	—8	621.5-2.5	—4
3 months	629.5-30	—9.75	630.5-1	—3.75
Settlem't.	622	—8	—	.....

14,850 tonnes. U.S. Prime Western: 50.50-50.75 cents a pound.

Zinc—Morning: Three months £630, 29.5, 30. Kerb: Three months £630, 31, 30.5. Afternoon: Three months £632, 31.5, 31. Kerb: Three months £631, 32, 33. Turnover: 9,460 tonnes. U.S Prime Western: 50.50-50.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	878.5-9	—7	871.5-2.5	—12.5
3 months	901-.5	—4	893.5-4	—11

Aluminium—Morning: Cash £879, three months £903, 02, 01, 01.5. Kerb: Three months £902, 03, 04, 05. Afternoon: Three months £902, 01, 900, 899, 98, 97, 96, 94, 93, 95, 94.5, 95, 94.5, 94, 93, 93.5. Kerb: Three months £894, 95, 95.5, 96, 97, 96, 95. Turnover: 26,900 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3520-2	—10	3518-8	—23.5
3 months	3610-5	+7	3600-1	—28.5

Nickel—Morning: Cash £3,520, 22, three months £3,640, 3, 5, 38, 33, 30, 28, 20, 15, 12, 15. Kerb: Three months £3,615, 17. Afternoon: Cash £3,515, three months £3,620, 10, 05, 03, 02. Kerb: Three months £3,600, 3,580, 60, 50, 40, 50, 60, 7 0. Turnover: 1,518 tonnes.

SILVER

Silver was fixed 20.4p an ounce lower for spot delivery in the London bullion market yesterday at 553.2p. U.S. cent equivalents of the fixing levels were: spot 724.4c, down 35.6c; three-month 744.6c, down 37.4c; six-month 768.9c, down 40.2c; and 12-month 822.1c, down 42c. The metal opened at 570-573p (748-751c) and closed at 558½-561½p (729-732c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	553.20p	—20.4	559.00p	—8
3 months	566.60p	—20.5	573.05p	—7.5
6 months	582.90p	—21.4	—	.....
12months	615.00p	—20.9	—	.....

LME—Silver (52,000 oz contract): Cash 559p (567p); three months 573p (580.5p). Turnover: 0 (3).

Turnover: 85 (105) lots of 10,000 ozs. Morning: Large 1st ring three months 563, 63.5; 2nd ring cash 567, three months 570. Kerb: large three months 571. Afternoon: large 1st ring three months 571, 70.5. Kerb: large three months 575, 74.5, 74.

COCOA

Following a steadier opening futures drifted lower in dull trading conditions. Producers were again absent from the market and only light second-hand activity was noted, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1768-70	—14.0	1772-66
Sept	1747-48	—18.0	1775-36
Dec.	1701-02	—12.0	1717-90
March	1683-84	—13.5	1696-70
May	1698-96	—13.5	1696-83
July	1703-05	—13.5	1705-90
Sept	1712-20	—14.0	1711-10

Sales: 3,576 (1,903) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound): Daily price for July 9: 99.18 (101.49); five-day average for July 10: 101.32 (102.35).

COFFEE

During a quiet opening the market traded unchanged to slightly easier despite continued dollar strength, reports Drexel Burnham Lambert. Prices rallied in thin conditions before trade resistance around the recent highs dampened buying interest. Values drifted lower in the afternoon but chart support of dealers' profit-taking encouraged a steadier close in light volume.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	2228-30	+1.5	2236-20
Sept	2262-65	+1.5	2272-47
Nov	2288-90	+4.0	2297-75
January	2229-31	+3.0	2232-15
March	2115-20	+5.0	2120-15
May	2075-80	+5.0	2080-70
July	2040-50	+5.0	—

Sales: 1,905 (1,971) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for July 6: Comp daily 1979 143.76 (144.02); 15-day average 143.92 (144.08).

GRAINS

Business done—Wheat: Sept 108.75-8.10, Nov 111.70-1.00, Jan 114.70-4 35, March 117.35-6.80, May 120.20-19 75. Sales: 290 lots of 100 tonnes. Barley: Nov 107.35-6 95, Jan 110 45-09.95, March 115.60-5.50, May 118.20 only. Sales: 158 lots of 100 tonnes.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterd's close	+ or —
Sept.	108.20	—0.30	106.95	—0.38
Nov.	111.10	—0.25	109.95	—0.40
Jan	114.20	—0.25	113.05	—0.20
Mar.	116.90	—0.25	115.45	—0.20
May.	119.70	—0.30	118.05	—0.15

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent Aug 145 75, Sept 144, Oct 146.25 trans shipment East Coast. English feed fob Oct/Dec 115.50, Jan/March 119.50, April/June 124 sellers East Coast. Maize: U.S. No 3 Yellow/French July 153.50 East Coast. Barley: English feed fob July/Aug 110.60, Aug 109, Sept 110 sellers East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 120 80, N. East 122 00. The UK monetary coefficient for the week beginning Monday July 16 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

Wheat rose 25p on short-covering and speculative buying but met hedge selling to fall back 50p before finding shipper buying support. Barley gradually drifted to the day's lows in thin, flat trading, reports Muirpace.

PIGMEAT

Even though the physicals price remained unchanged, futures were unable to maintain the previous steady tone, and in thin trading conditions values drifted lower towards the close, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug	115.3	116.3	115.5-115.5
Oct.	119.7	120.1	120.1-119.7
Nov.	121.0	121.5	121.5
Feb.	117.9	118.5	118.0
April.	118.3	118.3	118.3-118.1
June.	117.3	117.1	117.3

Sales: 55 (108) lots of 50 carcases 3,250 kilos.

POTATOES

Despite an exceptionally dry weekend the market opened £5.00 lower due to fresh forecasts of rain spreading into growing regions. Uncertainty over amounts of rainfall led to nervous trading conditions and a recovery in prices by mid-morning. The market remained steady during the afternoon.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Nov.	90.90	93.50	93.00-88.00
Feb	99.00	102.00	99.00-99.00
April	121.50	123.10	123.0-118.0
May	128.10	130.00	128.0-126.0
Nov	77.50	75.00	—

Sales: 1,225 (1,172) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened slightly steadier, attracted some buying interest throughout the day and closed on an uncertain note, reports Lewis and Peat. Closing prices (buyers), spot 62.75p (61.00p); Aug 72.75p (71.25p); Sept 73.50p (72.25p). The Kuala Lumpur August fob price for RSS No. 1 was 205.0 (197.5) cents a kg and for SMR 20 was 197.0 (194.5).

FUTURES—Close (buyer, seller, business). RSS No 1. £ per tonne. Aug 648, 660, nil; Sept 658, 670, nil; Oct 670, 680, nil; Nov 692, 694, 685; Dec 703, 705, nil; Jan 716, 726, nil; Feb 730, 736, nil; Mar 742, 744, 743; April 750, 755, nil; 1984 Oct/Dec 695, 697, 695-690; 1985 Jan/Mar 727, 732, 727-725; 1985 April/June 758, 765, nil. Sales: 3(10) lots of 5 tonnes, 16(9) lots of 15 tonnes.

SOYABEAN MEAL

The market opened slightly firmer in active trading conditions, reports T. G. Roddick. Substantial shipper selling interest held the market back from making further gains but a poor volume was recorded in light of such interest.

	Yestday's close	+ or —	Business Done
	£ per tonne		
August	138.50-38.00	+2.00	—
October	140.20-41.00	+2.05	140.50-39.00
Dec.	147.50-48.00	+2.55	145.50
Feb	153.00-53.00	+2.25	152.00
Apr.	153.00-54.50	+0.60	—
June	155.00-56.00	+2.00	—
August	153.50-58.00	+1.75	—

Sales: 33 (60) lots of 100 tonnes, nil (2) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £96.25 ($126.00), down 50p (down $2.00), a tone for July-August delivery. White sugar $156.50, down $1.50.

Prices eased in quiet conditions with selling interest generally lacking, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	151.20-51.40	151.20-51.80	154.20-51.60
Oct.	157.60-38.00	157.00-37.20	140.40-37.00
Dec.	145.20-46.00	144.90-44.80	148.20-44.00
Mar.	160.20-60.40	159.00-59.20	152.60-60.00
May	167.00-67.60	166.60-68.80	170.00-67.00
Aug	174.60-75.40	173.40-75.00	177.60-74.80
Oct	186.40-84.80	182.00-85.60	185.60-85.00

Sales: No. 6 2,831 (3,113) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £207.00 a tonne for export.

International Sugar Agreement — (U.S. cents per pound fob and stowed Caribbean ports). Prices to July 6: Daily price 4.71 (4.61); 15-day average 5.17 (5.22).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 567.0, 570.0, untraded; Oct 569.5, 572.0, untraded; Dec 575.0, 575.5, 575.0; March 584.0, 585.0, untraded; May 591.0, 595.0, untraded; July 601.0, 605.0, untraded; Oct 585 0, 598.0, untraded; Dec 590.0, 603.0, untraded. Sales: 1.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 452, 454, 452-451; Oct 462, 463, 462-461; Dec 467, 470, 467-463; Jan 468, 470, 469-464; Mar 480, 481, 480-476; May 491, 492, 491-487; Aug 503, 506, 503-499; Oct 503, 507, 503-499; Dec 503, 506, 503-500; Jan 503, 506, 503-500. Sales: 261.

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Seasonal influences were responsible for the lack of interest.

INDICES

FINANCIAL TIMES

July 6	July 5	M'th ago	Year ago
297.47	298.38	306.78	273.61

(Base: July 1 1952=100)

REUTERS

July 9	July 6	M'th ago	Year ago
1898.0	1895.7	1955.8	1844.5

(Base: September 18 1931=100)

MOODY'S

July 6	July 5	M'th ago	Year ago
1034.5	1034.1	1054.6	1047.1

(Base: December 31 1974 = 100)

DOW JONES

Dow Jones	July 6	July 5	Month ago	Year ago
Spot	132.15	133.84	135.86	140.81
Fut	129.77	130.91	134.99	144.81

(Base: December 31 1974 = 100)

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95.27p per kg lw (−2.02). GB—Sheep 184.96p per kg est dcw (+9.10). GB—Pigs 81.50p per kg lw (+0.02).

SMITHFIELD—Pence per pound. Beef—Scottish killed sides 76.0-83.0; English forequarters 52.0-56.0; Eire hindquarters 90.5-95 0. Veals—Dutch hinds and ends 120 0-124.5. Lamb—English small 82.0-86.0, medium 79 0-84.0, heavy 78.0-79.0; Imported: New Zealand PL 67.0-67.5, PX 60.0-61 0. Pork—English under 100lb 50.0-58.5, 100-120lb 52.5-57.0, 120-160lb 51.0-56.0.

COVENT GARDEN — Prices for the bulk of produce, in sterling per package unless otherwise stated. English produce: Apples—Per pound, Bramley 0.16-0.26. Gooseberries—Per pound 0.15-0.18. Cherries—Per pound 0.25-0.30. Strawberries — ½-lb 0.16-0.22, ½-lb 0.22-0.40. Raspberries—½-lb 0.35-0.50. Potatoes—Per bag 56-lb, new, 4.50-5.00. Mushrooms — Per pound, open 0.60-0.75, closed 0.80-0.90. Lettuce—Per tray, round 0.80-1.00, Cos dozen 1.00-1.20; Webb's 1 00-1.20; Iceberg 12's 3.60, 15's 2.50. Carrots—28-lb new crop 3.20-4.00. Greens—Kent 30-lb 1.20-1.40, Primo 1.60-1.80. Tomatoes—Tray 12-lb 3.50-3.60. Sugar Peas—0.90-1.00. Cucumbers—Tray 2.00-2.80. Cauliflowers—Dozen, Lincs 1.80-2 20. Spring Onions—Bunch 0.10-0.12. Radishes—Bunched 0.14-0.15. Asparagus—Per pound 1.20-2.20. Celery—6.00-6.50. Watercress—Ice Pack 20's 3.40-3.50. Salad—Crispa 16's 1.00-1.10. Curgettes—Per pound 0.20-0.30. Broad Beans—Per pound 0.08-0.09. Peas—Per pound 0.10-0.12. Beetroot—Per bunch 0.20, bags 28-lb 5 00-5 50. Onions—55-lb bag 5.00-5.50. Calibrese—Per pound 0.40-0.50.

Imported produce: Oranges—Spania 7.00-7.80; Cypriot approx 15 kg Valencia lates 6 60-7.60; Outspan 48 6.75, 56 6.90, 72 7.15, 88 7.20, 112 6.85, 138 6.70, 150 6.85. Odda 60p less; Brazilian 7.60-8.00. Lemons—Italian new crop, carton 4.80-5.50; Spania 5 kg 2.00-2.30; 15 kg 4.80-5.80; Outspan 15 kg 6.00-7.80; Uruguayan: 20 kg 7.00-7.20. Grapefruit—Outspan Marsh seedless 27 5.00, 32 5.75, 36 5.85, 40 5.95, 48 6.60, 56 7.05, 64 6.90, 72 6.50, Odda 60p less, Rose 32 8.00, 36 8.10, 40 8.15, 48 7.90, 56 7.50, 64 7.00; U.S. Pink 10.00-12.00; Uruguayan 16 kg 7.00. Kunquats—Brazilian box 5.00-6.00; Uruguayan 5.00-5.50. Apples—Cape York 10.00-10.50, Golden 10.25-11.00, Starking 9.75-10.50, Granny Smith 10.25-11.00; New Zealand Red Delicious 9.50-10.00, Granny Smith 10.00-10.50, Sturmer 10.00-10.50.

AMERICAN MARKETS

NEW YORK, July 9.

Precious metals started out weak but came back gradually on the rally in the financial instruments and went into the close fractionaly higher as local traders covered their short positions, reports Heinold Commodities. Copper followed the precious metals and finished about unchanged on local short-covering. Aluminium prices were an exception to the metals' trading pattern and closed sharply lower as large overhead stocks continued to pressure values and trade participation remained thin. Sugar prices were nominally higher as bearish fundamentals prevented the market from rallying; despite the historically depressed evels, demand for sugar has not been aggresive as long as this year's crop prospects continue favourable. Cotton prices came under heavy pressure as widely scattered precipitation over the weekend helped maintain good crop prospects. Coffee prices were abount unchanged on weather forecasts signalling the return of the cold temperatures in Brazilian production areas. Cocoa prices retreated moderately

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	52.85	—	—	54.20
August	53.55	—	—	54.70
Sept	53.95	55.25	53.50	55.30
Dec	55.55	56.70	55.00	56.90
Jan	56.15	—	—	57.50
March	57.30	—	—	58.65
May	58.45	—	—	59.80
July	59.60	60.10	50.10	50.95
Sept	60.75	—	—	52.10
Dec	52.35	—	—	53.70

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	2135	2135	2105	2143
Sept	2178	2192	2147	2204
Dec	2136	2145	2110	2165
March	2140	2140	2105	2160
May	2135	2135	2135	2175
July	2170	—	—	2195
Sept	2200	—	—	2229

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	149.50	50.00	48.50	49.50
Sept	142.52	43.73	42.20	43.99
Dec	140.14	41.39	40.10	41.48
March	138.78	39.75	38.75	39.90
May	137.13	38.75	37.50	38.63
July	137.05	36.95	36.50	37.63
Sept	135.75	—	—	36.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	57.70	57.65	57.15	57.70
August	57.95	—	—	58.05
Sept	58.60	58.75	57.90	58.70
Dec	60.55	50.65	59.90	60.85
Jan	61.20	60.70	60.50	61.30
March	62.45	62.60	61.85	62.60
May	63.80	63.70	63.00	63.95
July	65.10	64.30	64.70	65.35
Sept	66.40	66.15	65.70	66.70
Dec	68.40	68.30	67.90	68.75

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	76.73	78.00	77.00	78.90
Oct	73.43	73.89	73.08	73.67
Dec	72.44	72.98	72.10	73.02
March	74.15	74.65	73.90	74.58
May	74.90	75.25	75.00	75.20
July	75.25	75.50	75.43	75.45
Oct	73.76	—	—	73.85

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
August	29.45	29.60	29.45	29.65
Sept	29.63	29.75	29.63	29.82
Oct	29.80	29.93	29.80	30.00
Nov	29.97	30.08	29.96	30.14
Dec	30.06	30.16	30.06	30.28
Jan	30.12	30.12	30.00	30.29
Feb	30.00	30.04	30.04	30.11
March	30.00	30.08	30.08	30.10
April	30.00	30.07	30.05	30.10
May	30.00	—	—	30.10

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	347.8	344.0	333.5	345.1
Aug	349.8	350.8	336.0	347.2
Sept	353.2	—	—	350.6
Oct	356.7	358.1	342.5	354.1
Dec	364.2	365.5	350.0	361.8
Feb	371.7	374.0	357.0	369.5
April	379.3	376.0	364.5	377.3
June	387.4	385.5	373.0	385.6
Aug	395.9	391.5	390.0	394.3
Oct	404.6	400.4	393.5	403.2
Dec	413.4	410.0	402.0	412.2
Feb	422.4	415.0	415.0	421.4
April	431.6	—	—	430.8

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Aug	76.60	77.10	76.50	77.19
Sept	77.50	78.20	77.50	78.19
Oct	78.70	79.30	78.70	79.34
Nov	80.00	80.50	80.00	80.43
Dec	81.35	81.70	81.30	81.75
Jan	81.75	81.80	81.75	82.25
Feb	81.00	—	—	81.50
March	78.60	—	—	79.50
April	—	—	—	77.50
May	77.50	—	—	77.00

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
July	176.40	77.10	74.50	74.75
Sept	169.60	70.50	68.80	68.30
Nov	166.50	66.90	66.00	66.00
Jan	166.50	66.50	65.65	66.00
March	166.30	66.00	66.00	65.85
Sept	166.00	—	—	66.50
Nov	166.00	65.50	65.50	66.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	351.7	353.0	340.0	348.6
Oct	361.2	362.0	352.0	358.6
Jan	370.4	370.0	361.0	366.1
April	379.7	380.0	371.0	375.9
July	389.3	384.0	383.0	385.9
Oct	395.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	764.3	764.5	725.0	750.8
August	769.5	740.0	737.0	756.5
Sept	777.5	779.0	737.0	764.5
Dec	801.5	804.0	758.0	788.0
Jan	809.8	774.0	771.0	796.2
March	826.5	820.0	780.0	812.5
May	844.5	837.0	802.0	830.0
July	863.0	850.0	816.0	848.0
Sept	883.0	850.0	842.0	867.3
Dec	915.0	904.0	862.0	898.3

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	4.90	4.90	4.80	4.90
Oct	5.08	5.10	5.00	5.07
Jan	5.51	5.53	5.38	5.47
March	6.12	6.13	6.02	6.08
May	6.44	6.44	6.33	6.38
July	6.75	6.75	6.62	6.70
Sept	6.90	6.89	6.89	6.88
Oct	7.17	7.17	7.07	7.14

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	65.37	65.75	64.65	64.46
Oct	64.12	64.45	63.60	63.47
Dec	64.92	65.20	64.50	64.47
Feb	65.10	65.25	64.70	64.80
April	65.85	66.00	65.65	65.50
June	66.70	66.90	66.60	66.35

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	55.50	56.15	55.42	55.12
August	54.67	55.52	54.54	54.80
Oct	51.65	52.60	51.60	51.62
Dec	52.95	53.70	52.90	52.72
Feb	54.55	54.85	54.30	54.30
April	50.50	51.70	50.50	50.35
June	53.70	54.10	53.65	53.40
July	55.00	55.15	54.95	54.85
August	54.30	54.30	54.30	54.20

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	348.4	349.0	344.4	342.6
Sept	318.2	318.4	314.4	313.0
Dec	300.6	301.4	297.4	295.4
March	310.4	311.4	306.6	306.4
May	317.2	318.6	315.4	314.4
July	319.6	322.0	318.0	317.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	60.27	63.87	59.95	61.87
August	58.17	61.85	58.00	60.00
Feb	70.17	72.65	70.00	71.10
March	69.50	71.90	69.30	70.52
May	70.82	73.00	70.60	72.10
July	72.25	74.45	71.90	73.32
August	70.00	72.10	69.90	71.00

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	169.9	170.0	167.0	166.7
Aug	171.9	172.5	168.5	168.3
Sept	174.8	175.7	171.5	171.7
Oct	176.2	177.0	172.0	172.1
Dec	180.7	181.5	177.0	176.3
Jan	183.2	184.0	180.5	179.0
March	185.0	186.5	183.5	181.5
May	188.0	189.0	187.5	184.5
July	190.0	190.0	190.0	189.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	169.9	170.0	167.0	166.7
Aug	171.9	172.5	168.5	168.3
Sept	174.8	175.7	171.5	171.7
Oct	176.2	177.0	172.0	172.1
Dec	180.7	181.5	177.0	176.3
Jan	183.2	184.0	180.5	179.0
March	185.0	186.5	183.5	181.5
May	188.0	188.0	187.5	184.5
July	190.0	190.0	190.0	189.0

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
July	30.17	30.30	29.25	29.27
Aug	28.92	29.00	28.10	28.03
Sept	27.90	28.10	27.20	27.13
Oct	26.88	27.00	26.30	26.20
Dec	25.90	26.05	25.40	25.22
Jan	25.93	26.05	25.50	25.30
March	25.85	26.20	25.75	25.35
May	26.20	—	—	25.55
July	26.20	26.35	26.20	25.55

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	347.0	348.2	346.2	344.6
Sept	353.0	354.0	351.0	350.2
Dec	366.6	368.0	365.6	364.6
March	378.2	378.4	376.6	375.2
May	379.6	381.0	378.4	378.2
July	363.0	363.0	363.0	363.2

SPOT PRICES—Chicago loose lard 27.00 (27.50) cents per pound. New York tin 572.0-74.0 (574.0-79.0) cents per pound. Hardy and Harman silver bullion 727.50 (748.00) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dock strike hits pound

Against the background of a national dock strike sterling fell to another record low in terms of the dollar yesterday afternoon. News that the *dockers* were striking in sympathy with the miners over a dispute involving the movement of iron ore into a British Steel plant sent the *pound tumbling, after it had* already been made clear that Friday's rise to 10 per cent in London clearing bank base rates was not enough to put a firm base under *sterling*.

There was also disappointment that the talks between the National Coal Board and miners' leaders had not produced any more encouraging news than an adjournment until July 18, while the financial markets were also nervouse about the announcement today of the mid-June U.K. money supply figures.

Sterling finished at a record closing low of $1.3060-1.3070, a fall of 1.10 cents on the day, after touching an all-time trading low of $1.3025. The pound also declined to DM 3.7050 from DM 3.7350; FFr 11.3675 from FFr 11.4600; SwFr 3.13 from SwFr 3.1425; and Y316.25 from Y317.50.

The pound's trade-weighted index ended at a record closing low of 77.6, a fall of 0.3 from Friday. It also opened at 77.6 and remained at that level at noon.

The dollar rose to a record *high against the French franc*, and Scandinavian currencies, and to a seven-year peak in terms of the Swiss franc. It also gained ground against the yen, *finishing at the highest level* since last September, and hovered all day near a 10-year peak against the D-mark.

Speculation the Federal Open Market Committee meeting next week will tighten U.S. monetary policy underpinned the dollar, while New York interest rates remained very firm, with Federal funds rising to 11⅝ per cent.

This pushed the dollar up to DM 2.8395 from DM 2.8375, after meeting resistance at around DM 2.8460, and after intervention by the Bundesbank to stem the dollar's rise. It also rose to FFr 8.7175 from FFr 8.7055; SwFr 2.3920 from SwFr 2.3875; and Y242.60 from Y241.20.

The dollar's trade-weighted index, on Bank of England figures, rose to a record 136.4 from 135.8.

D-MARK — Trading range against the dollar in 1984 is 2.8425 to 2.5535. June average 2.7393. Trade weighted index 124.5 against 122.9 six months ago.

The Bundesbank sold $72.3m at yesterday's fixing in Frankfurt where the dollar was fixed at DM 2.8445, its highest level for 10½ years and up from Friday's level of DM 2.8298. There was little indication of any intervention outside the fixing however. Trading volume remained on the light side with the dollar underpinned by a small rise in U.S. interest rates and a conviction that the Federal authorities may have to accommodate a tighter monetary stance.

JAPANESE YEN — Trading range against the dollar in 1984 is 242.60 to 223.10. June average 234.0. Trade weighted index 154.0 against 158.2 six months ago.

The dollar was a little firmer in Tokyo yesterday, closing at Y241.95. This was up from an opening level of Y241.85 and a close of Y241.20 in New York. It was also up from Friday's close in Tokyo of Y241.00. It touched a high of Y242.45 but attracted selling to slip back below Y242.0. The D-mark was also higher at Y85.25 up from Y85.11 in New York and Y85.10 in Tokyo on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.3578	+1.02	+0.94	±1.5447
Danish Krone ...	8.14104	8.17285	+0.39	+0.31	±1.6425
German D-Mark	2.24184	2.23342	−0.38	−0.46	±1.0642
French Franc ...	6.87456	6.85424	−0.30	−0.38	±1.4052
Dutch Guilder ...	2.52595	2.52016	−0.23	−0.31	±1.4984
Irish Punt	0.72569	0.729760	+0.56	+0.48	±1.6699
Italian Lira	1403.49	1366.72	−2.62	−2.62	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York

	July 9	Prev. close
Spot	$1.3105-3115	$1.3160-3170
1 month	0.14-0.17 dis	0.15-0.17 dis
3 months	0.46-0.49 dis	0.61-0.63 dis
12 months	3.70-2.80 dis	3.18-3.23 dis

£ forward rates are quoted in U.S. cents discount. * New York closed

THE POUND SPOT AND FORWARD

July 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3025-1.3175	1.3060-1.3070	0.10-0.15c dis	−1.15	0.31-0.36dis	−1.02
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

THE DOLLAR SPOT AND FORWARD

July 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

OTHER CURRENCIES

July 9	£	$		Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Fr.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

* Selling rates.

CURRENCY MOVEMENTS

July 9	Bank of England Index	Morgan Guaranty Changes%
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish Kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

July 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian F.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr.	[illegible]	[illegible]	[illegible]
Spanish Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* CS/SDR rate for July 6, [illegible].

EXCHANGE CROSS RATES

July 9	Pound Sterling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschemark	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen 1,000	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc 10	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
Belgian Franc 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 9	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 11⅛-11⁵⁄₁₆ per cent; seven days' 11⁹⁄₁₆-11¹¹⁄₁₆ per cent; one month 11¹³⁄₁₆-11¹⁵⁄₁₆ per cent; three months 12¼-12⅜ per cent; six months 12¹¹⁄₁₆-12¹³⁄₁₆ per cent; one year 13⅛-13¼ per cent. Long-term Eurodollars: two years 14⅛-14⅜ per cent; three years 14¼-14½ per cent; four years 14⅜-14⅝ per cent; five years 14½-14¾ per cent nominal closing rate. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

MONEY MARKETS

London rates rise nervously

Short-term interest rates were very firm on the London money market yesterday on growing fears that last week's rise of ¾ per cent to 10 per cent in clearing bank base rates is not enough to provide a sustained boost for the pound against the strong dollar. Market sentiment pointed towards another increase to perhaps 11 per cent, but dealers suggested this could be strongly influenced by reaction to today's UK money supply figures. Three-month sterling interbank rose to 10⅜ per cent from 10³⁄₁₆ per cent, while discount houses buying rates for three-month bank bills increased to 10⅛ per cent from 10 per cent.

UK clearing banks' base lending rate 10 per cent (since July 9)

The Bank of England forecast a money market shortage of £300m, but provided help of £409m. There was little indication about the official view of interest rate trends from intervention rates, however, which remained at a uniform 10 per cent for all bands. Before lunch the Bank of England bought £290m bills by way of £31m bank bills in band 2 (15-33 days) at 10 per cent; £24m bank bills in band 3 (34-63 days) at 10 per cent; and £244m bank bills in band 4 (64-91 days) at 10 per cent.

The authorities did not operate in the market by way of bill purchases in the afternoon, but provided late assistance of around £110m.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £365m, while Exchequer transactions absorbed another £170m. These were partly offset by a fall in the note circulation of £230m.

In Frankfurt call money remained firm at 5.55 per cent yesterday in tight conditions despite the Bundesbank's rise of DM 8bn in rediscount quotas from Friday. Action by the Bundesbank to support the D-mark on the foreign exchanges has tended to drain liquidity from the domestic money market, and the banks are also believed to be short of their monthly minimum reserve requirements. This has kept Lombard borrowing from the central bank at a high level and call money tight. Although the new quotas came into effect on Friday banks do not have enough eligible paper at present to fully use the facility, and this kept Lombard borrowing at DM 10.6bn on Friday, only slightly down from Thursday's level of DM 11.1bn.

MONEY RATES

July 9	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	11	3-4	6-6⅛	6.03125	16¼-16⅝	10.80	11½-11¾
One month	5.75-5.90	11⅛-11½	4⅛-4³⁄₁₆	6-6⅛	6.09375	16¼-16⅝	11⅛-11⅝	12-12⅛
Two months	5.90-6.05	11¼-11⅝	—	—	—	—	—	12¼-12½
Three months	6.00-6.15	11⁷⁄₁₆-11¹³⁄₁₆	4³⁄₁₆-4⅝	6⅛-6⅜	6.21875	16⅝-17	11⅝-11⅞	12⅜-12⅝
Six months	6.35-6.50	11¹³⁄₁₆-12³⁄₁₆	—	6½-6⅝	—	—	11⅞-12⅛	12¾-13
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11¼	—	5⅝	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

July 9 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	4-10⅛	9¼-9⅛	8-10	3-9⅝	—	—	—	—	—
2 days notice	—	—	9⅞-10	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9¼-10⅜	10-10⅛	10-10¼	9½-9¾	—	—	—	—	—
One month	10⅜-10¼	10⅛-10⅛	10⅛	10⅝	10	10⅛-10¼	10	10-10⅛	10¾	10¾
Two months	10¹¹⁄₁₆-10⅛	10⅛-10⅜	10¾	11	9⅞-10⅛	10⅛-10⅜	10⅛	10⅛-10¼	10⅛-10¼	10⅞
Three months	10⅜-10⅝	10⅞ 11	10⅞	11⅛	9⅞-10⅛	10-10¼	9⅞-10	10⅛-10⅜	10⅛-10⅜	11⅛
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Four years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of interest period June 6 to July 3 1984 (inclusive): [illegible] per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): [illegible] per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rate for sums at seven days' notice [illegible] per cent. Treasury Bills: Average tender rate of discount [illegible] per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-12 months [illegible] per cent. Under £100,000 [illegible] per cent from July 10. Deposits held under Series 4-5 [illegible] per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. July 9)

Three months U.S. dollars	
bid 12 1/4	offer 12 3/8

Six months U.S. dollars	
bid 12 13/16	offer 12 15/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES — NEW YORK (Lunchtime)

Prime rate	13
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

Weaker trend

Sterling denominated prices lost ground in the London International Financial Futures Exchange yesterday. Sentiment was influenced *principally* by sterling's fall to record levels and fears of higher UK interest rates. Cash prices were indeed firmer, giving rise to speculation that *clearing bank base* rates would soon be increased, having gone ¾ of a point firmer only last week.

In an uncharacteristic mood gilt prices took little comfort from a firmer U.S. bond market where values were marked up in belated response to last week's better than expected U.S. money supply figures. Gilt values did show some recovery during the afternoon on U.S. influences but sterling's continued decline effectively put the skids under any sustained rally and prices finished near the day's lows.

The September price opened at 99-14 down from Friday's close of 99-27 and touched a high of 100-00 before slipping away to close at 99-03.

Short sterling prices were less affected to some extent, closing before reflecting the full brunt of sterling's decline while FT-SE values declined in sympathy with a weaker equities market. However prices finished above the day's lows, encouraged by profit taking and some degree of bargain hunting.

Euro-dollar prices were generally firmer in rather quiet trading. The extent and indeed the effect of any Fed tightening were both under market scrutiny, possibly suggesting a slight reversal in market sentiment. The extent of any improvement was inhibited however by the level of Fed funds which were quoted at 11⅛ per cent. The September Euro-dollar price opened at 87.35 up from 87.21 but showed little further improvement to finish at 87.36.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March*	[illegible]	[illegible]	[illegible]	[illegible]
June*	[illegible]	[illegible]	[illegible]	[illegible]
Sept*	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) [illegible] (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]. Previous day's open int [illegible].

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

STERLING (IMM) $ per £

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Appointments

Legal Notices

IN THE MATTER OF NIGHTFLIGHT LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 1st day of November, 1984, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Patrick Granville White of Booth, White & Co., 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 27th day of June, 1984.

PATRICK GRANVILLE WHITE
Liquidator.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 9, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	[illegible]
Albania	Lek	[illegible]
Algeria	Dinar	[illegible]
Andorra	French Franc / Spanish Peseta	[illegible]
Angola	Kwanza	[illegible]
Antigua	E. Caribbean $	[illegible]
Argentina	New Peso	[illegible]
Australia	Australian $	[illegible]
Austria	Schilling	[illegible]
Azores	Portuguese Escudo	[illegible]
Bahamas	Ba. Dollar	[illegible]
Bahrain	Dinar	[illegible]
Balearic Isles	Spa. Peseta	[illegible]
Bangladesh	Taka	[illegible]
Barbados	Barbados $	[illegible]
Belgium	B. Franc	[illegible]
Belize	B$	[illegible]
Benin	C.F.A. Franc	[illegible]
Bermuda	Bda $	[illegible]
Bhutan	Indian Rupee	[illegible]
Bolivia	Bolivian Peso	[illegible]
Botswana	Pula	[illegible]
Brazil	Cruzeiro	[illegible]
Brit. Virgin Isles	U.S. $	[illegible]
Brunei	Brunei $	[illegible]
Bulgaria	Lev	[illegible]
Burma	Kyat	[illegible]
Burundi	Burundi Franc	[illegible]
Cameroon	C.F.A. Franc	[illegible]
Canada	Canadian $	[illegible]
Canary Islands	Spanish Peseta	[illegible]
Cape Verde Is.	Cape V. Escudo	[illegible]
Cayman Islands	Cay. Is. $	[illegible]
Cent.Afr. Republic	C.F.A. Franc	[illegible]
Chad	C.F.A. Franc	[illegible]
Chile	Chilean Peso	[illegible]
China	Renminbi Yuan	[illegible]
Colombia	Col. Peso	[illegible]
Comoro Islands	C.F.A. Franc	[illegible]
Congo (Brazzaville)	C.F.A. Franc	[illegible]
Costa Rica	Colon	[illegible]
Cuba	Cuban Peso	[illegible]
Cyprus	Cyprus £	[illegible]
Czechoslovakia	Koruna	[illegible]
Denmark	Danish Kroner	[illegible]
Djibouti	Fr.	[illegible]
Dominica	E. Caribbean $	[illegible]
Dominican Repub.	Dominican Peso	[illegible]
Ecuador	Sucre	[illegible]
Egypt	Egyptian £	[illegible]
El Salvador	Colon	[illegible]
Equatorial Guinea	Ekuele	[illegible]
Ethiopia	Ethiopian Birr	[illegible]
Falkland Islands	Falkland Is. £	[illegible]
Faroe Islands	Danish Kroner	[illegible]
Fiji Islands	Fiji $	[illegible]
Finland	Markka	[illegible]
France	French Franc	[illegible]
French Cty in Af.	C.F.A. Franc	[illegible]
French Guiana	Local Franc	[illegible]
French Pacific Is.	C.F.P. Franc	[illegible]
Gabon	C.F.A. Franc	[illegible]
Gambia	Dalasi	[illegible]
Germany (East)	Ostmark	[illegible]
Germany (West)	Deutsche Mark	[illegible]
Ghana	Cedi	[illegible]
Gibraltar	Gibraltar £	[illegible]
Greece	Drachma	[illegible]
Greenland	Danish Kroner	[illegible]
Grenada	E. Caribbean $	[illegible]
Guadeloupe	Local Franc	[illegible]
Guam	U.S. $	[illegible]
Guatemala	Quetzal	[illegible]
Guinea	Syli	[illegible]
Guinea-Bissau	Peso	[illegible]
Guyana	Guyanese $	[illegible]
Haiti	Gourde	[illegible]
Honduras	Lempira	[illegible]
Hong Kong	H.K. $	[illegible]
Hungary	Forint	[illegible]
Iceland	I. Krona	[illegible]
India	Ind. Rupee	[illegible]
Indonesia	Rupiah	[illegible]
Iran	Rial	[illegible]
Iraq	Iraqi Dinar	[illegible]
Irish Republic	Irish £	[illegible]
Israel	Shekel	[illegible]
Italy	Lira	[illegible]
Ivory Coast	C.F.A. Franc	[illegible]
Jamaica	Jamaica Dollar	[illegible]
Japan	Yen	[illegible]
Jordan	Jordanian Dinar	[illegible]
Kampuchea	Riel	[illegible]
Kenya	Kenya Shilling	[illegible]
Kiribati	Australian $	[illegible]
Korea (Nth)	Won	[illegible]
Korea (Sth)	Won	[illegible]
Kuwait	Kuwait Dinar	[illegible]
Laos	New Kip	[illegible]
Lebanon	Lebanese £	[illegible]
Lesotho	Maluti	[illegible]
Liberia	Liberian $	[illegible]
Libya	Libyan Dinar	[illegible]
Liechtenstein	Swiss Franc	[illegible]
Luxembourg	Lux Franc	[illegible]
Macao	Pataca	[illegible]
Madeira	Portuguese Escudo	[illegible]
Malagasy Republic	MG Franc	[illegible]
Malawi	Kwacha	[illegible]
Malaysia	Ringgit	[illegible]
Maldive Islands	Rufiyaa	[illegible]
Mali Republic	C.F.A. Franc	[illegible]
Malta	Maltese £	[illegible]
Martinique	Local Franc	[illegible]
Mauritania	Ouguiya	[illegible]
Mauritius	Maur. Rupee	[illegible]
Mexico	Mexican Peso	[illegible]
Miquelon	Local Franc	[illegible]
Monaco	French Franc	[illegible]
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	[illegible]
Morocco	Dirham	[illegible]
Mozambique	Metical	[illegible]
Namibia	S.A. Rand	[illegible]
Nauru	Australian Dollar	[illegible]
Nepal	Nepalese Rupee	[illegible]
Netherlands	Guilder	[illegible]
Netherland Antilles	Antillian Guilder	[illegible]
New Zealand	N.Z. Dollar	[illegible]
Nicaragua	Cordoba	[illegible]
Niger Republic	C.F.A. Franc	[illegible]
Nigeria	Naira	[illegible]
Norway	Norwegian Krone	[illegible]
Oman Sul'ate of	Rial Omani	[illegible]
Pakistan	Pakistan Rupee	[illegible]
Panama	Balboa	[illegible]
Papua N. Guinea	Kina	[illegible]
Paraguay	Guarani	[illegible]
Peru	Sol	[illegible]
Philippines	Philippine Peso	[illegible]
Pitcairn Islands	£ Sterling / New Zealand $	[illegible]
Poland	Zloty	[illegible]
Portugal	Portug'se Escudo	[illegible]
Puerto Rico	U.S. $	[illegible]
Qatar	Qatari Ryal	[illegible]
Reunion Island	French Franc	[illegible]
Romania	Leu	[illegible]
Rwanda	Rwanda Franc	[illegible]
St. Christopher	E. Caribbean $	[illegible]
St. Helena	St. Helena £	[illegible]
St. Lucia	E. Caribbean	[illegible]
St. Pierre	Local Franc	[illegible]
St. Vincent	E. Caribbean $	[illegible]
Salvador El	Colon	[illegible]
Samoa American	U.S. $	[illegible]
San Marino	Italian Lira	[illegible]
Sao Tome & Prin.	Dobra	[illegible]
Saudi Arabia	Saudi Ryal	[illegible]
Senegal	C.F.A. Franc	[illegible]
Seychelles	S. Rupee	[illegible]
Sierra Leone	Leone	[illegible]
Singapore	Singapore $	[illegible]
Solomon Islands	Solomon Is. $	[illegible]
Somali Republic	Somali Shilling	[illegible]
South Africa	Rand	[illegible]
Spain	Peseta	[illegible]
Spanish ports in North Africa	Peseta	[illegible]
Sri Lanka	S. L. Rupee	[illegible]
Sudan Republic	Sudan £	[illegible]
Surinam	S. Guilder	[illegible]
Swaziland	Lilangeni	[illegible]
Sweden	S. Krona	[illegible]
Switzerland	Swiss Franc	[illegible]
Syria	Syrian £	[illegible]
Taiwan	New Taiwan $	[illegible]
Tanzania	Tan. Shilling	[illegible]
Thailand	Baht	[illegible]
Togo Republic	C.F.A. Franc	[illegible]
Tonga Islands	Pa'anga	[illegible]
Trinidad	Trinidad & Tob $	[illegible]
Tunisia	Tunisian Dinar	[illegible]
Turkey	Turkish Lira	[illegible]
Turks & Caicos	U.S. $	[illegible]
Tuvalu	Australian $	[illegible]
Uganda	Uganda Shilling	[illegible]
United States	U.S. Dollar	[illegible]
Uruguay	Uruguay Peso	[illegible]
Utd. Arab Emirates	U.A.E. Dirham	[illegible]
U.S.S.R.	Rouble	[illegible]
Upper Volta	C.F.A. Franc	[illegible]
Vanuatu	Vatu	[illegible]
Vatican	Italian Lira	[illegible]
Venezuela	Bolivar	[illegible]
Vietnam	Dong	[illegible]
Virgin Islands U.S.	U.S. Dollar	[illegible]
Western Samoa	Samoan Tala	[illegible]
Yemen (Nth)	Ryal	[illegible]
Yemen (Sth)	S. Yemen Dinar	[illegible]
Yugoslavia	New Y Dinar	[illegible]
Zaire Republic	Zaire	[illegible]
Zambia	Kwacha	[illegible]
Zimbabwe	Zimbabwe $	[illegible]

* Rate is the transfer market (controlled). †† Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (1) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (5) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad. (9) Banknote rate. (10) Rate for exports. (11) Parallel rate. (12) Rate for imports.

INTERNATIONAL CAPITAL MARKETS

Bumpy ride for Japan Air Lines bond

BY MAGGIE URRY IN LONDON

ONLY ONE borrower tapped the Eurodollar market yesterday, and even that was nearly too much for some traders, who said there is too much paper around and not enough buyers. That cloud over the market prevented seasoned bond prices from adding more than ⅛ to ¼ point, despite the New York market's firm opening.

The solitary issue came from Japan Air Lines, which is swapping the $180m proceeds into fixed rate yen debt. The 10-year bond carries a 13¾ per cent coupon, is guaranteed by the Government of Japan and was priced at par by Banque Paribas. Co-lead is Salomon Brothers.

Other new issue managers thought the coupon tight and the maturity unattractive. The issue traded at a discount of up to 2 points, just inside its total 2½ per cent fees.

The Canadian dollar sector is similarly burdened with paper. A C$50m issue from Sears Acceptance sold slowly. Terms were the same as on the Banque Indosuez C$75m issue last week, with a seven-year life and a 14 per cent coupon.

It traded at a 2 point discount to its par issue price, just outside total fees of 1⅞ per cent.

The new D-Mark issue calendar, covering the next 4½ weeks, opened with a DM 100m deal from the Council of Europe. With an 8 per cent coupon and eight-year life, the issue was priced at par by Berliner Handels- und Frankfurter Bank.

The DM 700m total to be raised in the sector is well down from last month's DM 1.345bn.

Prices of seasoned D-Mark bonds were steady in low turnover. It was the same in the Swiss franc sector

D-MARK NEW ISSUES CALENDAR

Date	Borrower	Amount (DMm)	Lead manager
July 9	Council of Europe	100	BHF-Bank
11	Inter-American Devt. Bank	200	Deutsche Bank
16	European Investment Bank	200	Deutsche Bank
17	Kingdom of Spain	200	Dresdner Bank

Next meeting August 8

NOTICE OF REDEMPTION

To the Holders of

SCI FINANCE N.V.

10½% Guaranteed Convertible Subordinated Debentures due 1997

NOTICE IS HEREBY GIVEN to the holders of the outstanding 10½% Guaranteed Convertible Subordinated Debentures due 1997, due July 1, 1997 of SCI Finance N.V. (the "Debentures") and of the unmatured coupons appertaining thereto that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of July 1, 1982, among SCI Finance N.V., SCI Systems, Inc., and Morgan Guaranty Trust Company of New York (the "Fiscal Agent") and the Terms and Conditions of the Debentures, SCI Finance N.V. intends to redeem and does hereby call the Debentures for redemption and payment on August 24, 1984 (the "Redemption Date") at the London Office of the Fiscal Agent at 1 Angel Court, London, England EC2R 7AE, at a redemption price equal to 100% of the principal amount of the Debentures to be redeemed plus interest accrued to the Redemption Date upon presentation and surrender of the Debentures and all unmatured coupons appertaining thereto. The Debentures will no longer be outstanding after the Redemption Date and interest thereon shall cease to accrue thereon on and after the Redemption Date.

The Debentures are convertible into common stock of SCI Systems, Inc. (the "Guarantor") in accordance with their Terms and Conditions at the London and New York Offices of the Fiscal Agent. The Fiscal Agent's New York Office is 30 West Broadway, New York, N.Y. 10015. **So long as the market price of the common stock of the Guarantor is greater than $9.17 per share, a holder would receive, upon conversion of the Debentures, such common stock having a greater market value than the cash which such holder would receive if he surrendered the Debentures for redemption.** The conversion price for the Debentures is $9.17 per share of common stock of the Guarantor and the Closing Price for such common stock on July 2, 1984 was $13.50 per share. The Debentures are convertible prior to the close of business on Thursday, August 16, 1984; but, on or after Friday, August 17, 1984, the sole right of a holder shall be to receive the redemption price plus interest accrued to the Redemption Date.

SCI FINANCE N.V.
By: Morgan Guaranty Trust Company
OF NEW YORK, *as Fiscal Agent*

July 10, 1984

ENERGY RESOURCES & SERVICES INCORPORATED

Net Asset Value
30th June 1984

$7.15

per share (unaudited)

STOCKHOLDERS FAR EAST INVESTMENTS I.C.

Net Asset Value
30th June 1984

$2.44

per share (unaudited)

PAN-HOLDING Society Anonyme LUXEMBOURG

The unconsolidated net asset value as of June 30, 1984, amounted to US$220.02 per share of US$80 par value.

This value was shown before payment on July 2nd, 1984, of a dividend of US$4.50 per share.

The consolidated net asset value per share amounted as of June 30, 1984, to US$223.79.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 30

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 9.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price. † Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FINANCIAL TIMES SURVEY

Netherlands

BANKING, FINANCE AND INVESTMENT

With the unwelcome cruise issue swept safely under the carpet for the next year and a half, the coalition government of Mr Rudd Lubbers can concentrate on what more or less unites it—a determination to rebuild the Dutch economy along late 20th century lines.

Resolute on the road to economic reform

By Walter Ellis

THE KEY decision on the Dutch economy this year was taken not on public spending, budget deficits, interest rates or any of the other problems currently facing the Government in The Hague. In fact, it had nothing to do with the economy at all. It was the decision by the Cabinet on June 1, since narrowly ratified by Parliament, that a final verdict on the deployment of U.S. cruise missiles in the Netherlands should be deferred until November 1985.

What the postponement meant, first and foremost, was that the present, centre-right coalition of Mr Rudd Lubbers would almost certainly continue in office until 1986. Other matters have from time to time arisen which have threatened the solidity and stability of the 18-month-old coalition. But none has posed anything like the threat to its survival as was put by the missiles. Now, with these unwelcome weapons swept safely under the carpet for the next year and a half, the Government can concentrate on what, more or less, unites it —a determination to rebuild the Dutch economy along late 20th century lines, with the State moving back out of the industrial limelight and with its social obligations cut back to essentials.

It might be going a little far to suggest, as is laid down by the Oxford English Dictionary, that postponement means the Government considers the cruise issue "inferior in importance" to other matters. Nevertheless, it is true that Mr Lubbers and his closest colleagues do see this administration as primarily an agent of economic reform. The cruise crisis was imposed from the outside; the desire to rebuild comes from within.

When the Christian Democrat and Liberal parties formed the present Government in November 1982, they set themselves *two main goals: reduction of* the very substantial state budget deficit and the revitalisation of industry. Certain policies *flowed from these objectives.* Public spending was to be brought back sharply, with the state wages sector and social *welfare system principal* targets, and tax and other incentives were to be extended to companies and intending *entrepreneurs.*

How has the coalition measured up? Three institutions have given interim verdicts so far this year: the Government itself, in the person of Mr Lubbers; the Paris-based Organisation for Economic Co-Operation and Development and the state-appointed Central Planning Bureau.

Speaking last month at the annual general meeting of Rabobank, Mr Lubbers predicted that Dutch economic growth this year would exceed 2 per cent. The results of the Government's medium-term social and economic policies seemed certain, he said, to turn out more favourably than even the Cabinet had forseen in its original coalition accord. The budget deficit, which last year reached 11.5 per cent of net national income, would come down to only 10.7 per cent this year and it was expected that the target for *1986 of a deficit of 7.4 per cent* would be achieved.

Moreover, unemployment, now affecting more than 850,000 *Dutch workers, seasonally* adjusted, would remain well below the 1m mark, and more jobs were on the way.

The OECD, reporting in February, was less sanguine than Mr Lubbers. Its analysts spoke of "major economic rigidities." It listed weak labour market responses, low company profits, slow adjustment to changes in natural gas production, higher energy prices and rapid growth of the public sector in recent years as part of a dangerous malaise.

In its half-yearly economic outlook, published in June, the OECD repeated its earlier forecast of a further increase in Dutch unemployment and looked ahead to an economic growth rate for this year and 1985 of around 1.5 per cent. An expected 5.25 per cent rise in exports and renewed stockpiling is credited with setting up the growth to come. The Dutch balance of payments surplus, which last year ended up a little above Fl 10bn ($3.26bn) could reach as much as Fl 18bn by 1985, the OECD says. Domestic consumption, meanwhile, is not expected to rise next year *beyond the level for 1984, but* a growth is seen in foreign investment of between 4 per cent and 5 per cent.

A *Central Planning Bureau* commentary, published at the end of March, feared that the Government could not possibly *attain its budget deficit target* so long as it stuck to its planned spending cuts of Fl 8.7bn for 1985, Fl 7.3bn in 1986 and Fl 7bn in 1987. Worse, from a political standpoint, even under the most optimistic scenario, there would be no new expansion of job opportunities, though unemployment would rise at a slower rate, exceeding 1m, or 19 per cent, of the workforce over the next two years.

Perhaps taking the planning bureau's observations to heart, the Government in April announced a new total of Fl 9.5bn for the reduction in public spending for 1985, and Mr Onno Ruding, the Finance Minister, was only persuaded to keep the total below Fl 10bn by the expressed anxiety of some of his fellow Christian Democrat ministers.

The Labour opposition may not be pleased by this show of determination by Mr Ruding, but the Central Bank at least is relieved. Mr Wim Duisenberg, president of the Bank, wrote in *his 1983 annual report that if* nothing was done to bring down budget deficits faster, by 1990 the yearly rate of repayment of the national debt would exceed the level of current borrowing. The state, Mr Duisenberg warned, could expect to repay Fl 6bn *of its debts this year; in* six years' time that figure would have risen to Fl 35bn. The Central Bank chief — who has kept a close eye on his domestic economy while quickly cultivating an international reputation as well—urged the Government to press ahead with its present policies but expressed a concern that not all the money being released to the capital markets through budgetary restraint was being properly taken up by industry.

The Bank agreed with Mr Lubbers on economic growth, forseeing a rate this year of between 2 and 3 per cent.

Much, of course, depends on the performance of industry. According to Mr Gijs Van Aardenne, the Economics Minister, the total volume of Dutch industrial investment this year is likely to grow by 6 per cent. In some sectors, there had been an increase of 20 per cent. The Association of Machine and Equipment Importers reported in May that, after a long period of decline, investment in the metal-processing industry was picking up. Orders worth a total of Fl 56m had been received during the first three months of this year—55 per cent up on the opening quarter of 1983.

The Government has provided its own measure of the new investments. Large sums have been *made available* to Hoogovens Steel and to Fokker, the aerospace group—mostly in the form of loans — while *smaller amounts have filtered* through to the ailing shipbuilding sector. But while companies are themselves beginning to use *improved profit levels to finance* increased investment and while the State, more discerningly than of old, is helping those with a perceived future, *most* interest is focusing on development of the high technology sector.

The Dutch micro-electronics industry is growing rapidly, but from a small base (Philips excluded) and with a surprising degree of help from the outside.

CONTINUED ON PAGE 3

IN THIS SURVEY

Netherlands Banking and Finance 2

Restructured and set for smoother ride

Central Bank and The Guilder

WALTER ELLIS

DE NEDERLANDSCHE BANK, the Dutch Central Bank, has had a smoother ride this year than in 1983. The banking community, much chastened by the reverses of recent times, has restructured itself and resumed something like its former patterns of growth. There have been no allegations of serious crime and no bankruptcies within the sector.

Mr Wim Duisenberg, the personable and committed governor of the Central Bank, has been able to concentrate on the more positive aspects of his calling without worrying that under each stone along his path was a possible wriggle of worms.

At the same time, the guilder has remained stable, and, as a shiny satellite of the Deutsche Mark, is gradually confirming itself as a useful reserve currency. Within the European Monetary System (EMS), the tensions that arose in January and February as a result of the surge of the U.S. dollar have eased and the Dutch currency, like the D-Mark, was recently bobbing happily just above the median point, neither in danger of banging its head against the ceiling nor of slumping to the floor.

Perpetual concern

Interest rates—an inevitable perpetual concern of the Bank—have been held down successfully in the midst of this relative stability despite continuing anxiety over the much higher rates prevailing in the U.S.

By mid-May, the difference in rates between the Netherlands and America had reached nearly five percentage points, and long-term Dutch charges were forced up by almost a quarter of a per cent. But there has been no panic. Mr Duisenberg and Mr Onno Ruding, the Finance Minister, have hammered away on the theme of U.S. rates being much too high. They have not allowed their frustration with the inert response from Washington to prime the pump this side of the Atlantic.

State loans—the means by which the Dutch Government finances its entire budget deficit—and other bond issues, such as the Fl 300m paper put out by the European Investment Bank in May, have tended to stick around the 8.5-8.75 per cent mark, and this level is expected to be maintained for at least the next few months.

To help prevent rates from rising unreasonably, the Bank in mid-February set the maximum amount which the commercial banks could borrow from the central institution at its advance rate at a daily average of Fl 6.2bn. For three months, while the measure lasted, the tranquiliser effect was clear. Once it was gone, the old pressures reappeared.

Mr Duisenberg and his senior colleagues in Amsterdam believe that the only real solution to this problem is action from Washington and New York. When this will occur, they are not in a position to say.

Within the Netherlands, the fact that inflation has been held at a rate of around 3 per cent for more than a year now, allied to the Government's successful resort to the capital markets and the stability of the guilder, has meant that the domestic logic for reduced rates is practically unassailable. It is a measure of the openness of the Dutch economy, especially at a time of resumed growth, that the logic has had to be set aside.

On the money supply front, the Bank recently expressed its "grave concern" at the still accelerating rate of growth. In 1983, the domestic money supply went up by 10.4 per cent (nearly Fl 13bn), compared with 8.2 per cent in the previous 12 months. The increase, according to the Central Bank's 1983 annual report, was wholly accounted for by domestic liquidity creation. Money creation by the banking system grew by a total of Fl 3.5bn, while the reduction in liquidity of Fl 2.4bn achieved by public authorities in 1982 had dropped to just Fl 800,000 a year later.

Mr Wim Duisenberg, governor of the Central Bank. He has been able to concentrate on the more positive aspects of his calling without worrying that under each stone along his path lies a possible wriggle of worms.

The Bank notes with approval that bank loans to Dutch industry had actually increased slightly during 1983. The fact that this had increased the money supply was more than outweighed by the benefits to needy companies — especially those smaller concerns seeking no more than Fl 2m. The same cannot be said for lending to public authorities. The Bank does not want to restrict the economic recovery by monetary intervention, yet it plainly does not want to see the situation get out of control and is considering how best to act, if necessary.

Debt warning

The Government, of course, is at the heart of public borrowing. Mr Duisenberg warned ministers in May that if they were not careful the cost of servicing the national debt could exceed its estimated financing capacity by 1990.

Mr Duisenberg said that the Fl 6bn in debt repayments which the State expects to make this year could surge to Fl 35bn in six years' time. He urged the Cabinet to press ahead with its existing policy of budgetary restraint but stressed that more of the money thus released onto the markets had to be channelled into industry.

The 1984 state budget deficit is expected to come to some Fl 32bn—less than previously forecast—and the Central Bank agreed in March to provide the Treasury with a safety net worth up to Fl 2.9bn to cover any shortfalls that may develop as far as February 1985.

The Bank will, under the agreement, purchase treasury bills when required at a rate matching the current bank rate, now 5 per cent. Last year, the agreement extended only up to Fl 1.7bn.

De Nederlandsche Bank, which was nationalised only in 1945 having been founded in 1814, is also responsible for the supervision and control of the credit system, and in this context it has learned much from the collapse last year of the Tilburgse Hypotheekbank, a small mortgage bank.

The Tilburgse had been in trouble for some time when, in 1982, a team from the Central Bank took a direct hand in its affairs. The men from Amsterdam toiled to no avail, and the bank was wound up in August 1983. Creditors were furious, and the bank was seriously embarrassed.

The result has been a tightening of the rules on supervision. Contacts between the Central bank and all other financial institutions are to be increased and deepened, and communication with external auditors will be intensified.

The Bank in future will consult with the participants in the Collective Guarantee Scheme about possible changes, and a study has been opened of the workings of the Act of Credit Supervision itself.

But while implicitly accepting some measure of responsibility for what went wrong with the Tilburgse bank, the Central bank repeats what it has always said: "Liability for the funds entrusted to the credit institutions continues to rest with the institutions themselves." Mr Duisenberg is not ready to carry the can for others' mistakes.

Air is thick with optimism

Options

JEFFREY BROWN

THE DUTCH options business has begun this year very much where it left off in 1983 — busy and profitable. Activity on the European Options Exchange, Amsterdam's options trading centre, roared ahead last year under the impact of a strong local equity market, and has continued to power upwards in 1984.

The EOE authorities are having to overhaul their computer hardware to cope with the increased volume, and demand for seats on the exchange for prospective participants has turned into something of a sellers' market. More structural expansion is planned through the introduction this year of trading links with Australia.

The air is thick with optimistic comment, and understandably so. Having made its first profit of real significance last year, the EOE is confident it can now quickly wipe out the debt owed to its founder, the Amsterdam Stock Exchange. The exchange's 1983 report and accounts show that the debt, in the shape of a contingent liability, went down by Fls 5.6m ($1.83m) to Fls 5.2m. If all goes well the balance should be repaid out of current year profits.

Formed in 1978, the EOE struggled against losses in its early years. It made a net profit of Fls 1.5m in 1982, and by 1983 had its foot firmly on the path to self-sufficiency. Operating earnings last year totalled Fls 8.9m, and for the first time a tax charge has had to be met.

The EOE's improving finances mirror the world-wide surge in demand for shares over the past year or so. Despite attempts to broaden its appeal, the exchange remains firmly tied to Dutch equities and recent volume growth in option trading has been impressive. The big internationally traded stocks like Philips, Royal Dutch and Akzo have led the way.

During 1983 the number of contracts written by the EOE totalled 3.5m, or more than double the 1.5m of 1982. Business has stayed strong this year with contracts for the first five months to May amounting to 2.2m, an increase of more than 50 per cent over the opening five months of 1983.

The EOE is now a very profitable place in which to operate, hence the rush by prospective dealers for seats. At the end of 1982, 171 seats were occupied, an increase in capacity of just 11 seats in two years. By December last, the exchange had a full compliment of 240 seats in action.

According to Mr Tjerk Westerterp, the EOE director general, exchange seats are currently changing hands at between Fls 75,000 and Fls 90,000 each, compared to the Fls 45,000 paid on average in 1983. The improved depth of the options market must surely augur well for future years, he says.

The heavier trading volumes have begun to overload the exchange's existing clearing system, and a bigger computer is to be installed at a cost of Frs 1.5m. Against just under 14,000 in 1983, daily trading contracts this year have been running at 21,000 on average. The new computer, which should be operational before the end of the year, can handle up to 50,000 contracts daily.

The EOE trades in 25 equity contracts, all of them linked to Dutch shares with the single exception of Petrofina, the Belgian oil company. It has recently de-listed its U.S. and German equity options where business never really got off the ground. Share options account for some 70 per cent of overall business. Currency, bond and gold and silver options make up the balance.

The EOE offers five bond options and three currency options, all of which tend to be aimed at the domestic investor. It is in precious metal options, perhaps some 10 per cent of total business, that the exchange can claim to be really international in outlook and trading practice.

Extended trading

Last year something like 70 per cent of gold and silver option trading was of Dutch origin with the balance stemming from the EOE's connections with option trading in Canada. It has links with both the Montreal and Vancouver stock exchanges which allow trading to be extended to 16 hours daily.

The exchange authorities expect to press ahead shortly with plans to extend trading hours further, possibly for a full day. Within a month or so the EOE's tentacles will have reached Australia where a link with the Sydney stock exchange will lengthen the trading to a full round the clock service.

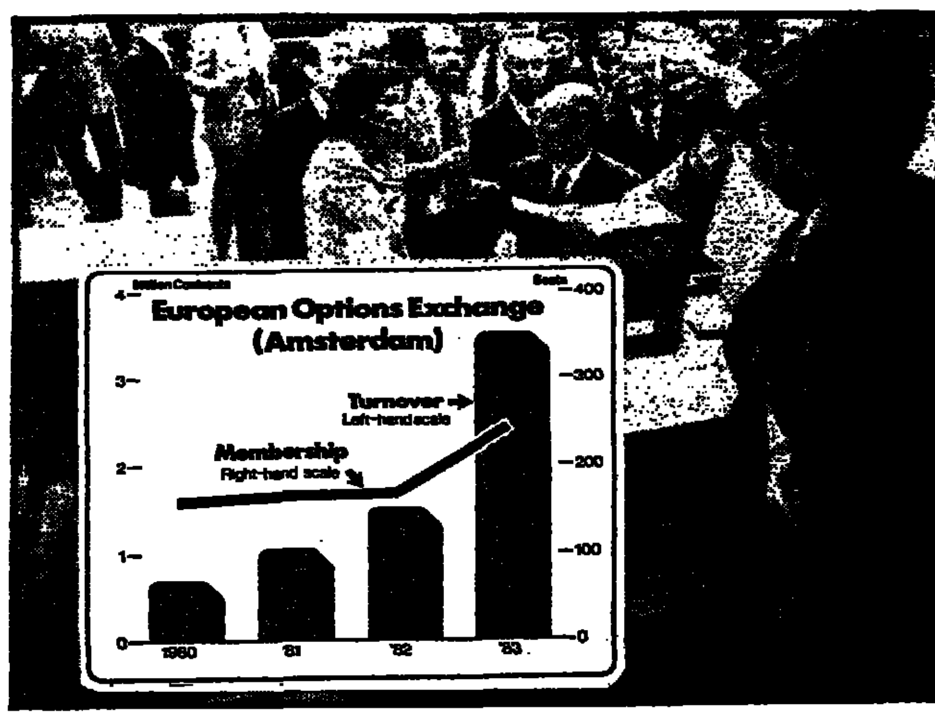
The EOE is also keen to woo back any available U.S. business. Having de-listed its U.S. equity options, it is now taking a more direct route to Wall Street whose fund managers have been major investors in Dutch international shares in recent years.

It is talking earnestly with the New York financial community about the prospect of a registration with the Securities and Exchange Commission. Preliminary discussions are said to be at a fairly advanced stage, and the EOE may well make a registration application before the end of the year.

Obviously it is early days yet, and the EOE is at some pains to play down the suggestion of a breakthrough in U.S. trading relations. But an SEC registration, if it comes off, will allow the big American securities houses to operate directly in Dutch share options.

There is a lot of quiet satisfaction in Amsterdam over the progress the exchange has made in recent years. It almost foundered at birth since original plans for the formation of a joint market with London came to nothing. But the EOE has soldiered on. It cannot hope to turn itself into a Chicago-style futures success, and the recent launch of the London futures market provides further competition.

But the exchange authorities remain convinced that the options business is here to stay. As the world's financial market complexities grow ever more tangled, the option will be considered more and more an essential stabilising tool, says Mr Westerterp.



Action on profligacy

Commercial Banks

WALTER ELLIS

THE TENDENCY among politicians and the general public to regard banks as something more than commercial institutions, in business at least in part to make money for their shareholders, is never more evident than during an economic recession.

It is then that industry looks to the banks for special support. There is talk of the need for more venture capital and for greater understanding of the difficulties faced by struggling entrepreneurs. People resent bank profits more than they ever do the "honest" earnings of a factory which "makes things." At the same time, they take little or no account of the burden of debt borne by banks when bankruptcies soar and when—in the Netherlands at least—companies scurry to the courts looking for protection from their creditors.

Dutch banks have never made the massive profits of their British counterparts. They have, though, traditionally done well, both internationally and at home, and their very success has meant that problems they have encountered in recent years as a result of the world recession have proved chastening indeed.

Profits nosedive

In several instances, earnings fell sharply. One bank, Slavenburg's, had to be rescued from its excesses by Credit Lyonnais of France; another, the Nederlandse Credietbank (NCB) was scooped up by Chase Manhattan of New York, and one, the tiny Tilburgse Hypotheekbank, went out of business altogether. Amsterdam-Rotterdam Bank (Amro), the sleek number two commercially to Algemene Bank Nederland (ABN), saw its profits nosedive at one point and had to take remedial action.

All were hit by the fact of their exposure to domestic industrial decline; the international debt crisis was of only marginal concern (at least directly). And all were forced to jack up their provisions against debt year after year and to look urgently at ways of restructuring their operations.

While doing this, they still managed to increase their services to industry. The NCB, the Nederlandsche Middenstandsbank (NMB) and the renamed Credit Lyonnais Bank Nederland have each reinforced their venture capital divisions and improved their range of services to the small and medium-sized sector.

The result has been more money to more companies and more assistance in the vital area of financial management. Banks are increasingly partnering industry in the provision of joint facilities for small, start-up enterprises and creating computer networks to speed up the process of advice and information.

No one would pretend that the banks were doing this out of simple altruism. The old rules were still applied, loans were still called in, and interest was still charged at the going rate. But the banks showed that they were able to respond to a changing climate with flexibility, while doing their best to ensure that even in hard times, reserves and the capital base were protected.

It was perhaps a trifle odd, then, when Mr Wim Duisenberg, head of the Nederlandsche Bank, the Dutch Central Bank, urged bankers in May to be cautious about paying out high dividends and to concentrate more on the building up of funds. The implication seemed to be that the banks were being just a fraction profligate, paying out their earnings at the first sign of a break in the weather.

The head of one of the Netherlands' largest companies commented privately that this criticism was a little harsh. The banks, after all, had almost all continued to make profits, even in the dark days of 1981 and 1982, and had done so with panache last year. But Mr Duisenberg, who is stern too with the Government when he feels the need arise, is conscious of banking in the round.

No relaxation

He and his senior colleagues are the ones who have had to face criticism for alleged lapses of prudential control since 1981, and the Central Bank is also aware of the international debt crisis, with its possible longer-term implications even for the Dutch banking system. Mr Duisenberg is not crying "Wolf!" He is merely making certain that the banks within his jurisdiction do not relax their concentration now that the bad years are giving way to better times.

Rabobank, the giant co-operative, with its space-age headquarters in Utrecht, is one bank which is clearly aware of the need to maintain prudence. Mr Pierre Lardinois, chairman of Rabo's board of management and a man who brings to the Dutch financial sector his experience as a former leading member of the European Commission, spoke of profitability last month on the occasion of his bank's annual general meeting. He warned that growing competition meant it was unlikely that Rabo would equal its record gross profit last year of Fl 1.5bn. Net profits, he said, would depend very much on the volume of gross revenues which had to be allocated to general contingencies.

Last year, Rabo's earnings were Fl 566m, up 16 per cent on 1982, with provisions similarly up, to Fl 675m. It has frequently been argued that provisions are not the same as losses and that, until required, they can be accounted as reserves. Even so, sums of half a billion guilders and more set against debt would have been unthinkable a few years ago and are a continuing and doleful reminder of how far the Netherlands has to go before its internal debt crisis is resolved.

Rabo's international dealings have been increasing steadily in recent years, together with its network of foreign branches and offices. But savings remain its main source of funding, and a shift has been noted from free savings towards contractual savings that has helped depress a vital income.

Rabo, though, despite its cautious prognosis for 1984, has shown this year already that it is willing to give its 900,000 members, many of them farmers, a share in its good fortune. For the first time in the bank's 85-year history, ordinary members of the co-operative are to be given a "dividend" based on earnings.

Over at ABN, gross first quarter earnings this year are understood to have fallen by 18.4 per cent on the first three months of 1983. The bank, which with Amro, has the highest international profile among the Netherlands' major banks, blamed the decline on falling interest rates. Mr André Battenberg, ABN's outspoken managing director, had already warned that his bank's half-year earnings were likely to be down, following a sharp recovery in 1983 to an annual total of Fl 385m.

Amro has been extremely active this year in the bond market (as has ABN), acting as lead manager in a Fl 300m issue for the European Investment Bank in June. But it, too, must be anxious about its 1984 prospects. The recovery achieved last year — earnings up 28 per cent to Fl 209m, in spite of provisions of Fl 950m —is a fragile one, and it will be a remarkable performance if the upswing is strongly maintained.

The NMB, traditionally the bank for small- and medium-sized companies but an institution with rapidly expanding overseas ambitions, saw its net result last year move up 12.5 per cent, to Fl 101m, with provisions up 23 per cent, at Fl 615m.

Real recovery

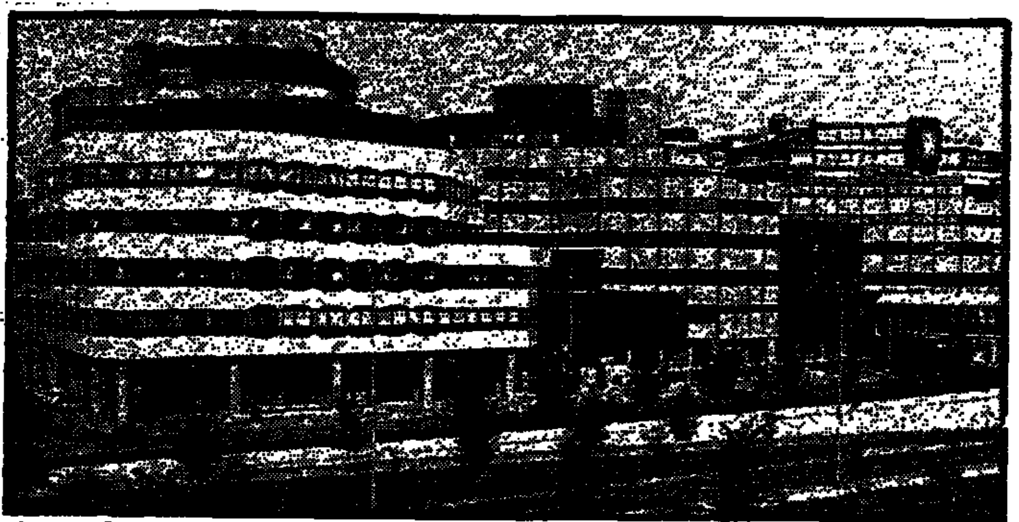
Credit Lyonnais and the NCB must now be considered "foreign" banks, in terms of ownership if not operations. Both showed signs of real recovery last year and seem set to play an active role in Dutch banking in the years ahead. F. Van Lanschot, the wholesale and semi-retail bank, is 40 per cent-owned by Rabo and 30 per cent by Britain's National Westminster group. It performed well in 1983 and hopes to maintain earnings at last year's level of Fl 16m.

All of the Dutch banks act as stockbrokers on the Amsterdam bourse, and in the 1983 equities boom did extremely well from commissions. This year, with the exchange on a downswing from the spring onwards, there was still money to be made from selling, but any stability in share-trading at a lower level would naturally be reflected in loss of income to the banks.

Fortunately, they face little danger from the international front, having been little involved in the crisis areas of Latin America, Africa and the Far East. Yet even here, not all is smooth.

A consortium of Dutch banks has helped rescue Boskalis Westminster, the construction group, from the debt morass into which it fell as a result of Argentina's financial difficulties. The amount involved is relatively small. What it shows is that straightforward commercial dealings can often lead to banks having to get involved in areas they would prefer to avoid.

But there is no despondency. It is widely felt that the high-risk days of the early 1980s have given way to a period of renewed activity. Bankers feel that they have overcome worse challenges than they face now, and that is the essence of confidence.



Rabobank's "space age" headquarters in Utrecht. Rabo is one of the Dutch banks which is clearly aware of the need to maintain prudence.

Resolute on road to economic reform

CONTINUED FROM PAGE ONE

British money has been brought in successfully on a number of occasions on the basis, apparently, that the domestic capital markets are sometimes reluctant to underwrite risky ventures in unexplored territory.

Industry generally has begun to emerge well from the international recession, and this has been highlighted in the sharp improvement in performance by the country's banks. The Central Bank's profits were well up, and the commercial banks and Rabobank all recorded earnings that clearly showed the influence both of better company results, a fall in bankruptcies and the surge in the Amsterdam stock exchange.

Even the troubled mortgage bank sector, hard hit by the property slump and a move into equities, has begun to turn around. Rabobank's mortgage division—the Netherland's biggest—had a good 1983, while Westland Utrecht Hypotheekbank, after several desperately lean years, is hoping to move into the black again this year.

There is a feeling around that the major banks, and many of the smaller institutions with them, will be hard pressed this year to equal their 1983 results. Competition is growing—with foreign banks beginning to acquire quite a significant slice of the action—while interest rates, at least in the early part of the year, were falling.

Even so, at least now there is greater stability, and Dutch banks' limited exposure to the international debt crisis leaves them with a degree of "play" that banks elsewhere might envy.

Savings banks, with just a few exceptions, have continued to find the going rough as commercial banks eat more and more into their business. The long-delayed Postbank, a state savings and giro bank, which is now scheduled to begin as a separate institution in 1985, can only add to their difficulties, making long-term survival for some a doubtful prospect.

The rate of inflation, meanwhile, remains low, touching 3.9 per cent in April, and is not expected to rise by more than a few percentage points. Wage costs fell last year by 3 per cent as a result of pressure on the trade unions by government and industry, while real disposable incomes, which dropped by 3 per cent in 1983 are expected to stabilise in the course of the present year.

Private consumption rose slightly in the first quarter, aided slightly by cuts in social welfare contributions (though not taxes) and, at the very least, seems at the end of the downward cycle which began in 1981.

Ministers in The Hague have been heartened by all of these statistics. They realise, however, that recovery is a fragile thing, dependent very largely on the international economic situation. Thus, the concern about U.S. interest rates is very real, as is the general anxiety about developing country indebtedness to the West.

Domestically, the 3 per cent cut in public sector wages achieved this January following seven weeks of strikes and other protests up and down the country is likely to be followed by further cuts in 1985 and 1986 at levels yet to be determined. Social welfare benefits are also once more under attack from the Government, with short-term unemployment and disability payments both due to go down in July.

Not surprisingly, the unions are extremely concerned about the continued drive towards austerity at their members' expense, and further strikes and parallel actions cannot be excluded for later in the year. For the moment, contacts between the two sides have been limited, but the concerted move in the Netherlands towards a 35-hour working week—which has the support of the cabinet and both trade union federations—depends in part for its success on discussions over indexed pay rises.

The theory is that the indexed rises are surrendered in return for reduced working periods, but after a year during which many wage packets actually fell in real terms while the numbers out of work continued to grow, the unions are unwilling to sign their names to any new deals that do not contain cast-iron guarantees of new jobs.

The Government, therefore, remains under pressure and faces many more obstacles along the road to full recovery. Not everyone is even convinced that the road selected is the right one. But, whatever else may fail, there is always Dutch gas. Reserves of the Netherlands' most abundant natural resource have been officially increased again this year, and the brakes are off with regard to extended foreign contracts.

There is also the prospect of substantial quantities of oil in the North Sea. Both these resources are likely to prove of enormous benefit in the years ahead. They will greatly ease the Government's budget deficit, maintain the trade surplus and hold down energy costs. At a time when trade is expanding again, that is no mean bonus.

EMPLOYMENT STATISTICS

	1983	1984†
Unemployment level	800,000 (17%)	850,000 (17.75%)
Wage costs per unit	−3.0%	−4.0%
Wages per employee	+3.5%	+0.5%

† So far.

FINANCIAL STATISTICS

	1983	1984
Balance of payments (current account) (Fl bn)	+10.4	+12.5†
Money supply (M1)	+10.8%	+5.05†
Interest rate (discount rate)	5.0%	5.0%*

† January-February. * January-March.

DUTCH ECONOMIC INDICATORS

	1983 %	1984† %
World Trade (volume, reweighed)	+1.5	+5.5
Gross Business Investment	−1.0	—
Volume of Private Consumption	−0.5	−0.5
GNP (volume)	+1.5	+2.0
Manufacturing output	+0.5	+5.5
Real disposable income per average employee	−3.0	—
Inflation rate	+2.8	+3.75

† Forecast.

DUTCH BANKS

	ABN Fl bn	Amro Fl bn	NMB Fl bn	Rabo Fl bn
Operating profit	1.330	1.300	0.750	1.500
Earnings	0.385	0.209	0.101	0.566
Debt provisions	0.650	0.950	0.615	0.675
Balance sheet total	133.000	113.000	63.000	118.000

Reminder of market's speculative streak

The Bourse

WILLIAM DAWKINS

DUTCH investors are still scratching their heads in puzzlement as to why the record gains they notched up on the stockmarkets in 1983 have since vanished almost as quickly as they appeared.

Fuelled by a heady brew of export-led economic recovery, relative political stability and aggressive foreign buying, the Amsterdam stockmarket was among the best performers in Europe last year, beaten only by Paris and Copenhagen.

Turnover in shares rose by an unprecedented 121 per cent to Fl 125bn ($40.8bn) in the year to last December, while the general ANP-CBS index surged ahead by 50 per cent to 154.2.

The market romped into 1984 like a lion. Eager anticipation of renewed foreign buying drove the index up still further to reach an all-time high of 178.9 by February 1, only to have the wind knocked out of it by setbacks on Wall Street and fears of rising interest rates. By the end of May, the index had fallen back, with a few weak rallies on the way, below its end of 1983 value to 153.8.

Sobering reminder

The experience has provided Dutch investors with a sobering reminder of the Amsterdam stockmarket's speculative streak, and underlines the extent to which its fate lies in foreign — mostly U.S. and British—hands.

According to Mr Gerrit de Marez Oyens, secretary of the bourse, between 30 per cent and 40 per cent of the market is owned by foreign investors. Overseas interest is principally focused on the so-called Dutch "internationals" — Akzo, Hoogovens, Unilever, Philips, Royal Dutch/Shell and KLM—which accounted for 55 per cent of the equity market's Fl 103bn capitalisation at the end of 1983.

Foreign interest has also broadened in the past year beyond the international names to locally quoted Dutch companies like Heineken Breweries and Nationale Nederlanden, the biggest insurance group in the country, which have been perceived to be undervalued in relation to more speculative high-technology stocks.

Domestic investors, by contrast, have tended to take a rather less active role in the equity market. Private individuals have been restrained from taking a flutter on shares by a tax system which makes it more cost-efficient for them to invest via pension funds and life assurance schemes.

And with unemployment running according to the Organisation for Economic Co-operation and Development (OECD) at 16 per cent—one of the highest national rates in Europe—there is a limited supply of spare private cash to invest. A recent survey revealed that the proportion of Dutch households which own stock has declined since 1978 from 15 per cent to 10 per cent.

Financial institutions, meanwhile, have turned increasingly towards investing in bonds. The Government has continued to busy the capital markets with attractive issues enabling it to fund itself without cutting public spending more heavily than it has already or raising taxes.

When the Government came to the capital markets with a record Fl 3.5bn issues at 9¾ per cent last July, the pressure on corporate borrowers to enhance their own terms became intense.

The result was to contribute to the growing fashion for corporate offerings to replete with bolt-on incentives like convertible equity warrants — or "candies" as Dutch investors jokingly call them — and to attract yet more overseas investors to the stockmarket in general. The bond market, however, has since followed the pattern set by equities and settled down somewhat.

Financial institutions' opportunities to build up large share portfolios are in any case restricted by the fact that pension funds are not allowed to invest more than 3-5 per cent of their assets in equities, while banks may not hold shares for more than five years.

In a bid to make shares more attractive to domestic investors, the bourse has been lobbying the Government for improved tax incentives for equity investments. Such measures will probably be introduced along with the next Budget in late September, although it is not yet known what form they will take.

"It is essential, not only for the stock market, but for the economy as a whole, that ownership of our (production) resources and of our national debt remain largely in our own country," wrote Baron van Ittersum, chairman of the bourse in his recent annual report.

He continued: "For the Government, this means promoting optimum economic conditions for the Dutch investor through the promotion of profitable industry and responsible financial management. Investors also require a fiscal climate comparable to what is occurring abroad. Measures to stimulate share ownership must therefore be hastened."

Proud achievement

That does not mean, however, that the bourse wishes to turn its back on internationalisation. Indeed, one of its proudest achievements of recent years was the introduction in September 1980 of the American shares in Amsterdam System (Asas), which created a European market for 55 U.S. stocks. Transfers are done by book entry only, and the absence of costs associated with bearer certificates and New York settlement practices, means that there is less than ½ point difference between Asas and New York prices.

Nevertheless, the stockmarket could do with a shot in the arm from domestic investors in two important respects. Beyond the big international names, the market for small "local" companies is lagging behind. Around 75-80 per cent of total market turnover is accounted for by the 20 biggest stocks, while fewer than half of all listed securities attract more than a single transaction per day, with locals being left out in the cold.

As The Netherlands swings out of recession and companies gear up for recovery, they will want to raise money from the public. The bourse estimates that demand for risk-bearing capital will run at Fl 20bn annually for the next few years, of which a significant proportion will have to be raised through the equity market.

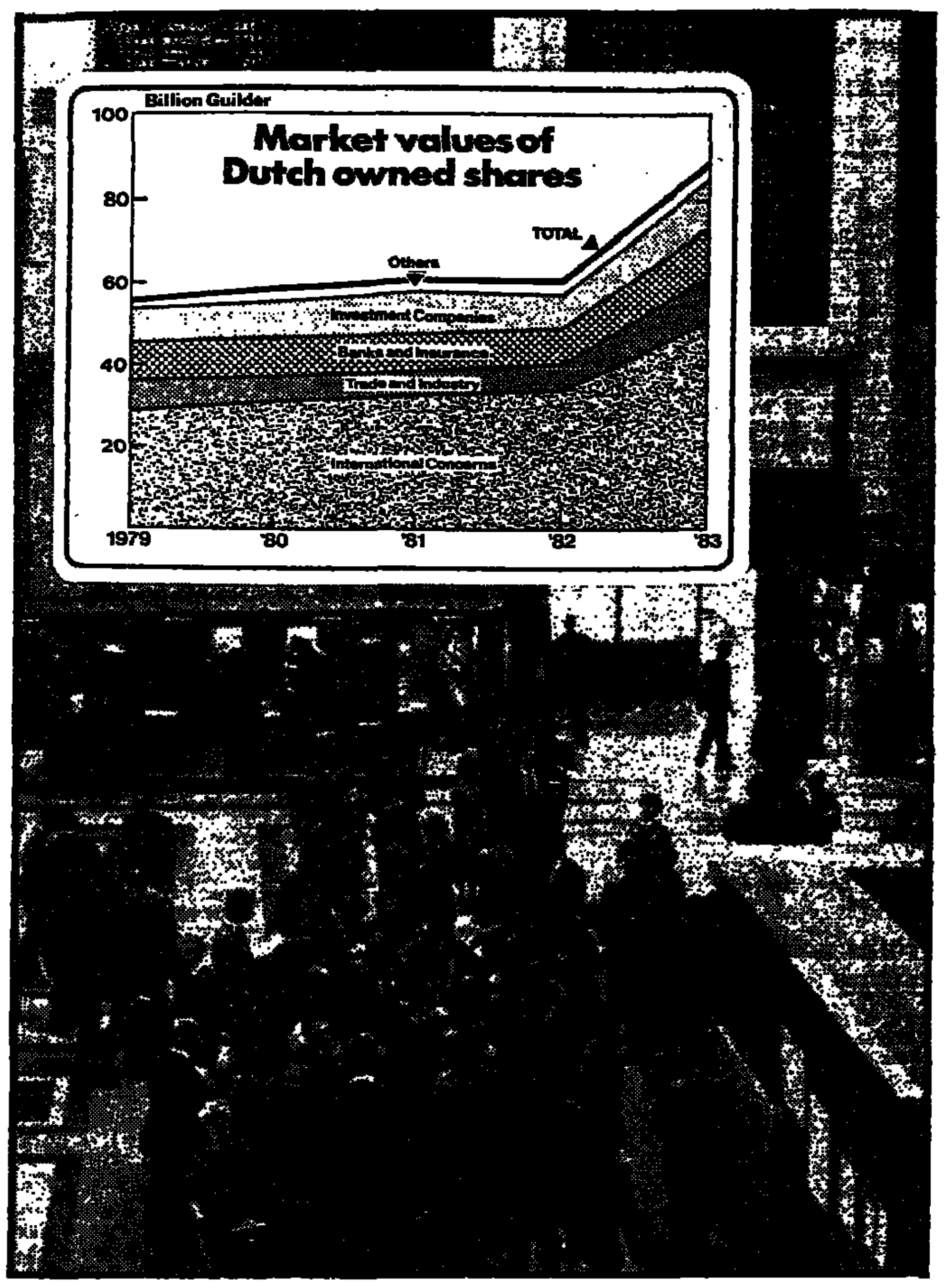
"As yet, only the bigger companies have been able to profit from the increased interest in stocks and the greater willingness to invest in risk-bearing capital," warns a recent stock exchange review.

For the market as a whole, however, most of the internal economic indicators are pointing in the right direction. As companies emerge from the recession with more efficient capacity and slimmer payrolls, their profitability is recovering strongly. Early in May, Unilever reported a 15 per cent increase in first quarter profits, while Philips was up 131 per cent, Royal Dutch up 93 per cent, and Akzo up 250 per cent in the first three months.

Their profitability is also being financed by the Government's decision in the last budget to reduce corporation tax from 48 per cent to 43 per cent as part of its determined campaign to tackle the nation's economic troubles. Meanwhile, the Government itself has a good chance of staying in office until late next year following its recent compromise of Cruise missiles—a welcome contrast to the volatile political scene of recent years.

After the recent slippage in prices, the average prospective earnings multiple, based on estimates of an average rise in corporate profits this year of 25 per cent, is less than 8.5—which makes Amsterdam very much cheaper than the bigger European markets.

The consensus among analysts is that the general index will top 200 by the end of this year or early 1985 — unless, of course, any major shocks from Wall Street upset the boat.



Profile: Baron Boudewijn van Ittersum, chairman of the Amsterdam Stock Exchange

Ensuring strength from within

BARON Boudewijn van Ittersum has been chairman of the Amsterdam Stock Exchange since 1981 and has thus presided over one of the most exciting periods in its recent history.

When he took over, the exchange was struggling against a rather lack-lustre image. Equities were either traded in a desultory sort of way or were regarded as heirlooms handed down from father to son. The multinationals showed movement, of course, and the recent introduction of direct trading of American stocks had helped. But bonds had become the most active commodity, leaving shares a long way down market.

Today, bonds are still actively bought and sold. The good news is that shares have joined them — sometimes literally—so that Dutch companies now regard the stock exchange as a vital source of funds and a dynamic indicator of corporate health. Last year was a boom year for equities; this year has seen less fury. What seems clear is that the bourse has become a central feature of the financial scene and not merely an adornment.

The chairman's spacious office, situated directly off a balcony over the main floor of the exchange, looks out on to the Bourseplein outside, where tramps and dropouts often spend the night. The Baron himself is relaxed and debonair. He is 45 years old and is the first-ever chairman to have been selected from outside the ranks of the exchange's members.

Born in the opulent Harlem suburb of Bloemendaal just before the outbreak of the Second World War, he attended an old-style gymnasium school before going on to the University of Amsterdam, where he took a degree in economics.

His next stop was the Finance Ministry in The Hague, from which in 1970 he was seconded to the IMF and the World Bank in Washington. Two years later he was back in the ministry, but this time as head of domestic monetary affairs. A period as director of international affairs followed, during which he worked closely with the European Investment Bank in Luxembourg. The plum job as head of the stock exchange was next.

Baron van Ittersum enjoys the independence which his position confers on him. "Not being a stock exchange member, I'm in a better position to reconcile conflicting interests. I am not a professional. I take advice on technical matters. An extremely competent staff supports me, and this means I am in a position to concentrate on new developments. I also have time to defend the exchange against outsiders."

Above: The Amsterdam Stock Exchange with the balcony of the chairman's office facing on to the Bourseplein. Below: Baron van Ittersum

A main concern is increasing the capitalisation of industry. "The importance of the stock exchange as the centre of the capital markets was little known—companies had to be persuaded that loans and credits were not always sound, especially given the weak capital structure."

Not surprisingly, the Baron is opposed to the continuing application of the double dividend tax in the Netherlands, whereby payouts are taxed when made and again through income tax. He calls it "discrimination." Plans are afoot to change the system, but no date has been fixed.

In Belgium since 1982, companies issuing new share capital have been able to deduct the cost of any associated dividend from their tax bill, and the Amsterdam exchange chairman is hopeful that a similar system will soon be introduced in the Netherlands. "It would be a major stimulus to the investor and to the companies concerned," he says.

He is pleased by the boost to company profits given by the decrease last January from 48 per cent to 43 per cent in the rate of corporation tax, but feels that it is time now to aid those many smaller companies which do not make much by way of earnings. He sees the parallel market as an engine for growth in this sector and is not disappointed by its somewhat protracted infancy. "Technically, there have been no criticisms. The mechanisms are working. I expect the number of small companies coming on to the parallel market to increase this year and next. Investor interest is also growing as individuals begin to take account of this higher risk area."

Baron van Ittersum is plainly an optimist as well as an economist and financial manager. He is aware of the changing climate of investment and is ready to adapt Amsterdam's practices to accommodate the increasingly international pattern of investment as well as shifting allegiances at home. What happens on Wall Street, and in London, will always be important for the Amsterdam exchange. Its chairman is ensuring that change can come from within as well.

Walter Ellis

A slower mover than its U.S. and British counterparts, Amsterdam's "junior stockmarket" is nevertheless growing at an increasing pace. It is now looking towards . . .

Stemming the tide of refugees

Parallel Market

WILLIAM DAWKINS

THE DUTCH parallel market, set up two and a half years ago to cater for young companies' capital raising needs, is growing at an ever-increasing pace.

Yet in comparison with its U.S. and British counterparts, it seems a relatively slow developer. Dutch investors have taken a cautious attitude to the parallel market and more importantly it has not had nearly such a vigorous private venture capital market from which to draw its recruits as has its British equivalent, the London Unlisted Securities Market.

With those restricting factors in mind, however, the junior stockmarket's growth from an initial core of 11 companies in January 1982 to 28 last month is a notable achievement. In all, 32 companies have tasted life on the parallel market, of which three have graduated to a full listing and one has been taken over.

Meanwhile, the rate at which new companies are joining is speeding up; five were floated on the parallel market between January and the end of May, against four for the whole of 1983. According to Mr Gerrit de Marez Oyens, secretary of the bourse, a further eight companies are standing in the new issue queue.

In line with the bullish mood of the main board, turnover on the parallel market mushroomed from Fl 56.2m (£12.2m) in the last six months of 1982 to Fl 325m for the whole of last year. And turnover looks set to more than double in 1984, the first five months of which has already seen transactions valued at Fl 313.7m.

In the year to last December, parallel market prices rose on average by 58 per cent—just a little ahead of the general ANP-CBS index—but dropped back 12 points during May, according to an unofficial parallel market index calculated by stockbrokers Van der Hoop.

The parallel market was formed partly to regulate an unofficial over the counter market which had come to exist in 11 family owned companies outside the auspices of the bourse. "We had a sort of grey market, which had existed for years. But as trading became more active, there was more reason to protect investors," says Mr de Marez Oyens.

However, it was also intended to provide a less onerous route to public life for younger concerns. To qualify for the parallel market, candidates must have at least Fl 2.5m nominal share-capital, of which only 10 per cent needs to be issued to the public, as against 100 per cent for a full listing.

Less demanding

Companies with no trading record were permitted to join. To alert investors to the new parallel market's higher risk profile, prospectuses were required to carry a wealth warning. Disclosure requirements are otherwise far less demanding than on the full market.

An important difference from the investor's point of view is that trading in parallel market is normally conducted on a matched bargain basis, reflecting the market's relative lack of liquidity. Sellers cannot insist on direct execution of orders, and the completion of any deal depends on the extent to which the parties can negotiate an agreement.

Curiously, the parallel market has not attracted the large numbers of speculative high technology stocks which have popped up frequently on other secondary markets. Instead, it has a heavy weighting of investment and banking related groups.

It was not until last March, more than a year after the junior market opened, that it welcomed its first high-technology stock, the computer software company DOCdata. The issue got off to a cracking start, being 50 times over-subscribed and opening at a Fl 3.50 premium over its Fl 40 issue price. Since then, however, the price has sunk down below Fl 33.

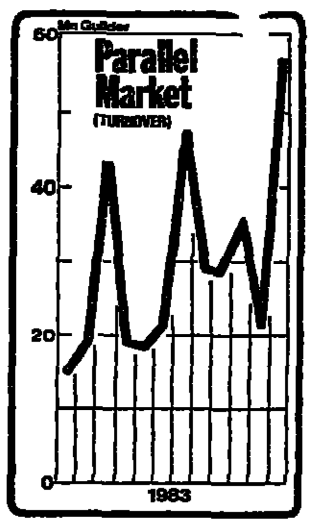
Other high-tech companies believed to be waiting in the wings include Compudata, maker of the Tulip micro-computer, and Devoe Holbein International, which has developed a technique for removing radio-active contamination from water.

It may be that the parallel market has not attracted more high-tech ventures because young Dutch companies have found that they can get a warmer reception elsewhere.

The Gouda-based computer software group, Minihouse Holdings, for instance, raised a minor furore in the Netherlands last December when it raised Fl 3.65m on the Granville over-the-counter market in London.

A number of Dutch institutional investors had been asked to subscribe, but none accepted. Mr Theo Mulder, group managing director, talked of "a coming idea in The Netherlands that foreign markets are better than Amsterdam."

Indeed, London's OTC has welcomed Minihouse enthusiastically. The shares were offered for tender at 250p, achieved a 275p striking price,



and have since shot up to 425p, a heady 31 times historic earnings—a multiple only rarely achieved on the Dutch stock market.

Similar controversy

Terborg-based Synterials, a synthetic industrial materials maker, created a similar controversy when it joined London's Unlisted Securities Market with a £20m offer for subscription, the largest ever on the USM.

But it got a rather cooler reception than Minihouse, and the shares stood 20p below the 85p subscription price at the end of June.

"Most of our shareholders were British," explains Christopher Brotchie, Synterials' chief executive. "But we had also heard that the Dutch new issues market was slow."

Perhaps the initial success of DOCdata's parallel market flotation will encourage other potential Dutch refugees to overseas stockmarkets to think again.

"One swallow doesn't make a summer," says Mr de Marez Oyens. "But at least it is a step in the right direction."

Solidity in an otherwise frenetic world

Capital Market

JEFFREY BROWN

AMSTERDAM'S bond market continues to prove an effective provider of long-term funds. New issue volume in the public *fixed rate market came* close to Fls 20bn for the first five months of this year, or around two-thirds of the total raised during the whole of 1983.

The borrower profile maintains the pattern developed in recent years with the Dutch state, fuelled by the need to finance a big budget deficit, demanding and getting the bulk of the new money. For the five months, government bonds account for Fls 12.6bn of total new issues. Apart from the banks, which have raised Fls *1bn this year, the private sector* has had no say in the proceedings.

The rapid expansion in equities last year took its toll of bond market turnover, and levels of business have remained unexciting this year. But activity has stayed profitable, say the market makers, the big banks. For 1983, bond trading volume shaded narrowly to Fls 64.8bn. Over the first five months of this year it was marginally ahead at Fls 29.9bn.

Right now the traditional *summer calm has begun to* settle over the market. The investing institutions, wary of the interest rate gyrations on Wall Street, have needed no encouragement to retreat to the sidelines. The last government bond tender could pull in only Fls 1.75bn despite its 8½ per cent coupon and shortish — attractive to the foreign investor—*seven year maturity*.

But the fundamental view of the Dutch bond market is one of solidity in an otherwise increasing frenetic world of wobbling currencies and uncertain interest rate movements. Along with the other members of the EEC hard currency club, the D-Mark and the Swiss franc, the guilder has been forced to *give ground to the dollar. But* Amsterdam's money markets have managed to stay relatively relaxed.

Economic stability

Part of the answer lies with the stability of the Dutch economy which is making steady headway without apparently running into any of the problems of over-heating that have arisen elsewhere as the industrial world recovers. The central bank has raised the odd eyebrow over the growth of the money supply, but this apart the financial community has scant cause for concern.

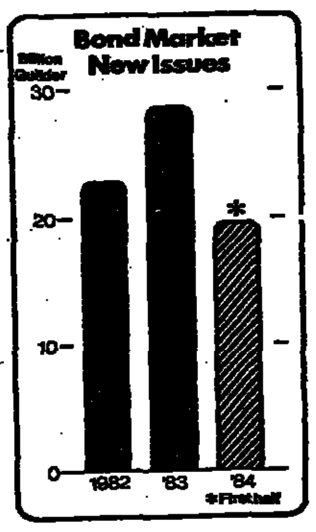
Through the eyes of the bond market the economic background can be easily sum-

● Balance of payments: Gross National Product (GNP) looks set to grow by 2½ per cent this year, roughly double the rate of increase in 1983, with manufacturing output improving by around 5 per cent. With competitiveness improving, export business is strong and the current account is well into the black and set to stay that way during 1985. Against Fl 10bn in 1983, the current account could total Fl 13bn this year. Dutch unit labour costs in manufacturing industry are 12 per cent lower relative to German labour costs than they were 10 years ago.

● *Inflation: consumer prices* are under control with growth this year running at around 3.7 per cent, broadly in line with the trend in Germany, the Netherland's major trading partner. Inflation should stay under 4 per cent for 1985. The major check has been wage restraint; notably in the public sector where salary cuts have averaged around 3 per cent in recent months.

● Government budget deficit: strenuous efforts are being made to get spending under control and the budget deficit for 1984 is set to narrow slightly from Fls 30.4bn of 1983. The Central Planning Bureau has recently revised downwards its forecast for the 1984 deficit. It is now predicting a deficit of 9.9 per cent of net national income, against 11½ per cent in 1983.

● *Money supply:* the money stock expanded by 10.4 per cent in 1983 *which was just over* two per centage points more than for the previous 12 months. In its April review, the central bank hinted that it might be forced to take restrictive measures if the money supply continued to grow in excess of 10 per cent.



Over the past year, the Euro-guilder market has held steady, raising some Fls 1.6bn of new funds against Fls 1.7bn in 1982. Dutch Eurobond business has *remained buoyant in the wake of the foreign exchange strength* of the dollar. But the major provider of funds outside the public bond market is still the market in unlisted, private placings. This type of lending raised Fls 18.8bn last year, around a sixth less than in 1982.

The private placing market has grown rapidly in recent years. *The strict regulation of* the public market by the central bank—which maintains a new issue calender and keeps borrowers in an orderly queue—is partly an explanation. In contrast, private placement money can be requested and received in the space of a working week in necessary, and with a lot less bureaucratic fuss, or cost.

The Amsterdam market in unlisted bonds has swollen to the point where it accounts for more than a third of the total net supply and demand of Dutch capital. Demand for funds stems from central government and locel authorities as well as industry. The private pension funds are especially active *in lending this* type of debt.

The commercial banks tend to act as intermediaries between the borrower and lender and also provide *some limited form* of "market" for matched buyers and sellers. Private placements carry a coupon cost higher than that of the public *bond market.*

But the banks claim that the overall cost to the borrower is effectively held in check by lower documentation costs and easier *servicing.* With often only a handful of institutional lenders putting up the *funds,* interest payments are made quickly and cheaply.

Increasing interest in this type of lending is now coming from outside Holland. Dutch exchange control policy regarding capital imports through private placings has been relaxed in some respects, but the central bank maintains a watchful eye.

Sector under pressure and set for shake-out

Savings Banks

WILLIAM DAWKINS

DUTCH SAVINGS banks stand on the brink of what could become one of the most far-reaching shake-outs in their 160-year history.

Persistently high unemployment and stagnant wages have forced the savings market into a decline which many participants believe will be long term.

"In 1983, for the first time in many years, total savings deposits in Dutch banks stagnated—even taking into account interest. That means savings really fell, and it is this point which is really worrying us," says Dr Herman Wijffels, an executive board member of Rabobank Nederland, a co-operative of 955 agricultural credit institutions, which holds 40 per cent of the nation's Fl 135bn ($44bn) private savings balance.

Meanwhile, the savings banks have been losing their share of this market to the powerful commercial banks, who have been seeking to diversify at a time when their corporate lending activities have been squeezed by the recession.

As a result, the commercial banks have gradually advanced to account for 27 per cent of the market, while the independent savings banks have seen their share dwindle to 18 per cent. The national savings bank and postal giro accounts for the remaining 15 per cent. Only Rabobank, which also acts as a commercial lending and mortgage institution, and is the second largest Dutch general bank, has managed to keep its share of the savings market intact.

However, the whole sector *looks set to come under further* pressure later this year, following the expected enactment of a government proposal to wind down over the next 12 years the savings banks' substantial tax privileges, which until now have been their main line of defence against the commercial banks' onslaught.

As if that were not enough, the Government hopes to decide by the end of this year on a controversial plan, mooted in 1977 by Wim Duisenberg, the then Labour Finance Minister, to merge the post office savings bank and postal giro system to form the Postbank. This new body would refine its existing giro and savings services, but more importantly, would be permitted to go into corporate leading on a grand scale for the first time.

If the long-delayed Postbank starts operation as planned in January 1985, its most immediate impact would be felt not by the savings institutions, but by the commercial banks, which have been its most bitter critics.

The merger is at least partly designed to stem the flow of giro and savings business out of the state system into the private sector. But the private banks' chief complaint is that the Postbank, which will be the fifth largest general bank in the Netherlands, would have several unfair advantages, including a civil service pay structure.

By contrast, the savings banks have accepted Postbank's likely arrival as inevitable. It will have little direct impact on their mainstream activities, since it only represents a new shape for a structure they have been competing against for years. Yet a powerful new participant in commercial banking cannot be good news for the savings banks who are themselves trying to diversify into corporate lending.

All this is not to say, however, that savings are not still highly profitable for Dutch banks—merely that they are having to scale down their expectations. The Rabobank group's net profits rose by 16 per cent in 1983 to Fl 566m, although its savings deposits rose only slightly to Fl 54.8bn, accounting for around half of the bank's total assets of Fl 118.3bn.

Dr [illegible] executive member of Rabobank.

"We are funded as a credit institution so our main policy is to keep interest rates as low as possible on the credit side of our activities. Nevertheless, our savings business is very profitable," says Dr Wijffels. "The main reason for that is our big market share."

Dr Wijffels argues that the most damaging drain on the banks' savings business comes from a tax system which encourages customers to shift away from free bank saving towards contractual savings with pension funds and life insurance companies.

According to the national savings bank, the banking sector's share of new savings made by Dutch households declined from 18.9 per cent in 1982 to 1.6 per cent last year, while *pension funds and life insurance* companies increased their share from 70 per cent to 85 per cent over the same period.

"The proportion is going up gradually, and is the main reason why bank savings deposits have begun to stagnate," says Dr Wijffels. A further drain has come from the Government's recently heavy demands on the bond market. Unwilling to reduce its budget deficit by increasing taxes and further cutting public sector wages, the Government is increasingly turning to the capital markets, where it raised a total of Fl 23bn last year at rates which put most Dutch savings accounts in the shade.

"Every time the Government issues a new line, we see money from our savings deposits move into government bonds," says Dr Wijffels.

While the commercial banks, the bond market and the depressed state of consumer saving have combined to throttle the flow of funds into Dutch savings banks, they have had to shave their margins and offer more competitive rates and sophisticated services to attract customers.

Two years ago, most Dutch savings banks already offered life insurance, foreign exchange and securities dealing as standard.

The pace quickened with the arrival of Roparco, part of the giant Robeco investment group, which in 1982 opened a high interest savings account permitting daily withdrawals of up to Fl 25,000 with no interest penalty. This account offered a rate of 6.25 per cent annually, whereas Roparco's nearest Dutch equivalent paid a mere 3.25 per cent.

Roparco-type products are now practically universal in the Netherlands, and Roparco itself has around Fl 1bn on its books. The growth, however, of high interest bearing flexible accounts has *only* conspired to drive up savings banks' costs.

"Our increased costs are just not being *offset* by the increase in our funds," complains Dr Hans Schiphorst, chairman of Verenigde Spaarbank, the biggest of the 36 independent savings banks, with total assets of Fl 9bn.

Like many of its smaller competitors, Verenigde Spaarbank has had an excellent year, with net profits more than doubled to Fl 83m. Yet the reasons for its success in 1983, believes Dr Schiphorst, points to the heart of the independent savings banks' vulnerability.

Most of the loans made in the form of mortgages by Verenigde Spaarbank and other specialised savings banks are at rates fixed every five years. But the rates on its deposits have to vary in line with base rates, which means that Verenigde does well when base rates are declining, and has very little defence against rising interest rates.

For this reason, Verenigde Spaarbank is planning to move *15 per cent of its balance sheet* over to shorter term commercial loans. "When we lose our fiscal privilege, we will enter the commercial field, because in this way we can have more flexibility in our balance sheet," says Dr Schiphorst.

The smaller independent banks may lack the financial muscle to follow Verenigde Spaarbank's example. One solution, which Dr Schiphorst is well known for advocating, would be to follow past patterns in the industry and seek strength through mergers.

In 1970, there were 150 members of the Dutch Savings Banks' Association, against 36 now. Verenigde Spaarbank itself was formed in 1981 through the merger of the former Centrum Bank and two others, since when six more banks have joined the group.

"We are convinced that the ultimate goal should be for all private savings banks to be concentrated into one national private savings bank," says Dr Schiphorst.

Apart from the financial power this would create—such a combine would have assets of Fl 27bn if a merger took place today — Dr Schiphorst believes the local savings banks would benefit from being able to advertise nationally under a single name.

"In the eyes of the public, our industry is in complete chaos. They don't understand it when they move from one place to another and are unable to find a savings bank with the same name," he says.

Members of the association appear broadly agreed that a merger or at least some kind of alliance would be in their best interests, but they are deeply divided over how it should be implemented and when it should be introduced.

"Even if all savings banks joined forces today, it would take at least five years before you could get one integrated institution," says Dr Schiphorst. "If they do not amalgamate, they will still make a reasonable profit, but they will see their market share go down continuously."

Welcome on the mat for overseas partners

Foreign Invasion

WILLIAM DAWKINS

UPROOT the British banking industry, transplant it to a country the size of W[illegible] and the *result would give a*[illegible]*llustration* of the highly competitive nature of the Dutch banking scene.

Within this hot-house environment, the overseas banks have been jostling for position harder than ever during the past year to ensure that they are among the first to reap the benefits of the Netherlands' export-led economic recovery.

"We are all chasing after the same few big customers," says David Taylor, manager of Barclays Bank International in Amsterdam.

In an attempt to gain an edge over their much larger local competitors, the overseas banks have been busy refining their services, cutting costs and building up equity stakes in their Dutch partners.

Foreign banks to have increased their Dutch presence over the past 12 months include:

● Credit Lyonnais, which paid Fl 200m ($65.3m) last October to raise its stake in the former Slavenburg's bank—now Credit Lyonnais Nederland—from 78 per cent to 91 per cent, making it the second largest overseas bank, with net assets of Fl 11bn.

● Morgan Guaranty which paid an undisclosed sum last December to Amro for its 50 per cent share in the eight-year-old joint venture Bank Morgan Labouchere, the long established commercial and merchant bank, now renamed Bank Morgan Nederland.

● In the same month, Chase Manhattan launched a Fl 143m bid for the 68.5 per cent of Nederlands Credietbank (NCB) it did not already own. Chase, which has had a stake in NCB since the mid 1960s, now owns 99.6 per cent of the equity, making it the biggest foreign owned bank in the Netherlands, with total assets of Fl 15bn.

The Credit Lyonnais deal had more to do with the need to repair the damage left by a major fraud scandal, in which its Rotterdam headquarters were raided by police and 20 managers were arrested. However, it also set a precedent which encouraged the central bank to soften its line on foreign ownership.

Since 90 per cent of Dutch banking assets are in the hands of the three largest docestic banks—ABN, Amro and NMB—the central authorities are understandably keen to avoid *any further concentration of* banking power. This means that the medium sized domestic banks have been effectively prevented from seeking greater strength through mergers.

Instead, they have welcomed powerful foreign partners in such numbers that there is hardly a medium sized bank left in the Netherlands without an overseas owner or major foreign shareholder. Around half of the Netherland's 90 banks are either foreign owned or local branches of foreign banks, although in asset terms, the industry remains dominated by the locally-owned big three.

Overseas bankers have in turn been attracted by big blue chip corporate customers like Philips, Akzo, Unilever, and Dutch internationals, which look like increasingly desirable sources of business at a time when their earnings are recovering sharply.

Overseas trading

Such a concentration of foreign banking power stands to reason in an open economy like the Netherlands' in which 60 per cent of the gross national product arises from overseas trading.

Yet it has also created highly competitive conditions, one symptom of which has been a gradual erosion of the traditional bankers' cartel on fees and commissions. At the same time, local partners have found it increasingly necessary to fall back on their foreign parental links.

"Five years ago, we were emphasising our Dutch identity," says Christiaan Hollander, president of Bank Paribas Nederland, which has total assets of Fl 5bn. "Now we are telling our corporate customers that we are the Dutch arm of a large diversified international group, offering a range of services that extends beyond what we could offer if we were a traditional Dutch bank."

To assist this process, Paribas International has added 30 per cent to its Dutch subsidiary's equity base since 1981, and a growing number of locally originated loans are being syndicated throughout the group or handed over to the parent.

Following a similar pattern, NCB will become fully integrated with Chase, although it will retain its Dutch name and management. Its funding capacity will be the same as its owner, and the takeover has allowed it to introduce a number of new services like 24-hour foreign exchange dealing multi-currency loans and electronic transfer of funds.

Mr Godfried van der Lugt, chairman of NCB.

"As Chase in the Netherlands, we find that a number of doors are now open to NCB which were closed before last December," says Godfried van der Lugt, NCB's chairman. "The Dutch were until recently the largest investors in the U.S., so if you have in Holland the largest U.S. bank, you must benefit."

Under Chase, NCB will continue with earlier plans to run down its 100 branches to 75 by the end of 1986 and concentrate all its retail banking—except for very rich customers — into one centralised location, the Direktbank, set up last September.

Its costly and unwieldy retail business, plus substantial bad debt problems, lay at the root of a decline in NCB's net earnings from Fl 22.8m in 1979 to Fl 7.3m in 1982 — since when they picked up; totalling Fl 8.9m last year.

"We realised that we needed to specialise. As a medium sized bank, you really need to offer services that are different from the big banks," says Mr van der Lugt.

Credit Lyonnais Nederland is only just beginning to recover from losses—estimated by outside observers to be up to Fl 250m—related to the alleged frauds which emerged after it took a 50 per cent holding in Slavenburg's in April 1981.

Chairman M Georges Vigon nursed the bank back to break-even last year after Fl 203m net losses in 1982. First quarter gross earnings are up 8 per cent on the first three months of 1983, and 20 per cent ahead of last year's quarterly average.

Apart from the alleged frauds, M Vigon believes Slavenburg's biggest mistake was to expand beyond its management's ability to cope. Between 1966 and 1981, staff numbers quadrupled to 2,878 and the number of branches doubled to 103.

"You had 100 people reporting to one man. In between the top management and branch levels, there was nobody," says M Vigon.

Since then, staff numbers have been reduced by a couple of hundred, the branches have been reorganised and cut back to 83, a new level of middle management has been introduced, and the bank has put a special effort into building up its commercial activities, which now account for around 30 per cent of assets.

It has clearly been a traumatic time for Credit Lyonnais in the Netherlands. "We didn't want to come here because we thought it would be easy," says M Vigon bravely. "This is a long-term investment. If we wanted quick returns, we would have bought treasury bonds."

If there is a link between Slavenburg's and NCB, it is that they suffered in the past from trying to provide very similar services to domestic banks many times their size. When the recession hit, they learned that they could not achieve the economies of scale available to Amro or ABN.

Specialist expertise

The most successful foreign banks, by contrast, have offered specialist expertise backed up by an international network and their owner's often huge resources. This formula has certainly worked for Morgan Bank Nederland, which last year saw its net profits rise by 99 per cent to Fl 10.9m and achieved a 16 per cent return on its equity; a better rate than most of its competitors.

With net assets of Fl 1.6bn, Morgan is a tiny fraction the size of Chase's NCB, but it fulfils a different role. Rather than providing huge international loans, Morgan concentrates on supplying an advisory type merchant banking service, often in conjunction with Morgan Guaranty Ltd in London.

Andrew Peacock, Morgan Bank Nederland's president, says: "The attraction of this market is in helping Dutch companies as they expand abroad—not in terms of providing loans but in providing brains."

July 10 1984

A depressed market caught off-balance

Property

WILLIAM DAWKINS

THE DUTCH property market is licking its wounds after a four-year slump which has seen a fair sprinkling of scandal and some dramatic casualties.

Letting agents are talking cautiously about a pick-up in demand for commercial property—principally for offices—but any signs of recovery are more anecdotal than tangible.

Tenants can still set their own terms and the market is staggering under a record weight of oversupply as grandiose schemes planned at the end of the prosperous 1970s are completed and come onto the market.

According to Richard Ellis, international property consultants and agents, vacant office space in units of more than 500 square meters on the open market jumped by 20 per cent last year—the biggest jump ever—to more than 1.7m square metres.

The take-up of new offices meanwhile, crept up by a mere 2 per cent to 333,000 square metres, at which rate it would take five years to get through the stock of office property. That, of course assumes that no further developments become available for occupation. Yet in the west of the country, which includes Amsterdam, Rotterdam, The Hague and Utrecht, there is now an estimated 1.8m square metres under development, 50 per cent more than two years ago.

Retail property, hit by the depressed state of consumer spending, shows the same pattern. Vacant space in shops and showrooms in excess of 200 square metres grew by 10 per cent to give an available stock of 515,000 square metres.

On the industrial front, vacant space in units larger than 750 square metres rose by 10 per cent in 1983 to pass 3m square metres for the first time, providing a vivid illustration of the decline in domestic economic activity. "Due to the very low level of demand and drop in rents, speculative development is not viable" in the industrial sector, says John Selman, senior partner in Richard Ellis.

Most of the developments now becoming available for occupation were conceived before the market went sour. So it is hardly surprising that the rate at which new projects are being started is declining steeply in all sectors.

Premium decline

Contributing to this decline is the expected change in the property investment premium (WIR), a government subsidy available to non-professional developers. Parliament is likely to give its consent this year to proposals to reduce the premium for new construction from 14 per cent to 12.5 per cent of buildings costs, and to increase the premium for investments in existing buildings from 8 per cent to 12.5 per cent.

The new regulations will be back-dated to January 1984, and it is probable that it will be made harder for institutional investors to qualify for the WIR premium.

Against the background, of oversupply and declining values it is not surprising that several institutional investors and many hundred individuals have burned their fingers badly in the property market.

Terry Kirk

Some 27,000 square metres of office space in Amsterdam, the Rivierstaete building

Westland-Utrecht Hypotheekbank, the largest Dutch mortgage bank, announced in March that it was reducing its property portfolio by Fl 800m ($262m) and its property financing by Fl 160m. Its project development company, several property ventures and the Friesland-Holland Bank subsidiary were sold to Nationale Nederlanden, the leading insurance group. Nationale Nederlanden and ABP, the civil service pension fund — the largest in the country with property holdings of more than Fl 15.5bn—had twice bailed out Westland-Utrecht in recent years.

ABP's own experience in property has not been completely smooth. Its property fund manager is currently under investigation for alleged fraud.

Nationale Nederlanden again had to step in to the rescue when Amfas, an insurance group in which it had a 40 per cent stake, ran into trouble over its property holdings, not helped by marine underwriting failures. Nationale Nederlanden was unwilling to risk the collapse of its investment with the shockwaves such an event would send through the property market, so it bought out the rest of the company.

Already, one mortgage bank, the Tilburgse Hypotheekbank, had been forced out of business in the previous year, despite attempts by the Dutch Central Bank to save the operation.

Yet the string of cautionary tales from Westland-Utrecht, ABP, Amfas and Tilburgse Hypotheekbank, has not stopped some developers from sticking their necks out and proceeding with their projects as if the Dutch property slump had never happened.

The most controversial of these is the Atlas centre, developed by PGGM, the medical workers' pension fund, in Amsterdam's new south-eastern district. When this entirely speculative project opened its doors last October, it added at one blow 72,000 square metres of office space — nearly a full year's take-up — to Amsterdam's stockpile, which now totals some 400,000 square metres.

Since then, Richard Ellis has let 6,220 square metres to Sperry Univac, the computer company, and is negotiating to let a further 50 per cent of the building. Sperry Univac is paying Fl 240 per square metre, which compares with Fl 325 per square metre for a top quality office in the centre of Amsterdam.

White elephant

Property experts are, however, still divided over whether the Atlas centre will prove to be the most expensive white elephant in the Netherlands or give the ailing office market a much needed shot in the arm.

"We are negotiating with several big firms who have to make up their minds whether to move this year," says Mr Selman. "There is no doubt that the south-east of Amsterdam will be a success. The only question is when."

Maverick though it may appear, the Atlas centre is not alone. Nearby, the World Trade Centre, comprising 60,000 square metres of offices, shops, restaurants and conference facilities, is due to open next spring. With its excellent motorway and rail links, it is one of the best development locations in the district, and has already attracted substantial forward lettings.

Both developments are based on the principle that years of restrictive municipal planning policies in the heart of Amsterdam are now beginning to force expanding companies to seek new territory in fringe areas. A similar scheme is also attracting re-locating companies in Nieuwegein, a satellite town outside Utrecht, and Zoetermeer, near The Hague.

"For the larger user, the city centre is just finished. There is no space available," says Neil Kennedy, a director of Jones Laing Wootton, international property consultants and agents.

In Amsterdam, several big institutions have already begun to move out of their cramped—albeit charming—canalside offices to more spacious high-tech buildings in the south-east. NMB and AMRO, of the two largest banks in the Netherlands, are constructing new headquarters there, and Westland-Utrecht, the mortgage bank, has recently moved to the area from the city centre. Other companies already in the district include Hoechst, Texas Instruments and Readers Digest.

In the medium-term, the exodus of the big institutions away from the centre of Amsterdam and other major Dutch cities into new suburbs and satellite towns is bound to intensify the oversupply of office space in the areas they leave behind.

All this means that institutional investors have had to be increasingly discriminating. Locally oriented funds like ABP, which is prevented by its trust deed from investing abroad, have tended to channel their cash to more resilient markets like The Hague and Utrecht.

Others, like Wereldhave, the Netherlands, which remains the subject of a creeping takeover bid from PGGM, are lying low and concentrating on foreign markets until the Dutch property scene improves.

Six years ago, 70 per cent of Wereldhave's portfolio, currently valued at Fl 1.1bn, was invested in the Netherlands. Now, 62 per cent of its portfolio is invented overseas and the group has made no new Dutch investments for three years.

"God Knows how long it will take before supply and demand are in balance," says a Wereldhave spokesman. "Our opinion of the Dutch market has not improved. We remain very interested in the market here, but we do not expect that our next investments will be in the Netherlands unless the market changes or we get a very attractive offer."

Giants rapidly running out of domestic victims to swallow

Insurance

WALTER ELLIS

THE LAST 12 months have seen great changes wrought in the Dutch insurance world. Ennia and AGO, already large companies in their own right, merged towards the end of 1983 to form Aegon, now the second biggest insurer in the Netherlands.

Not to be outdone, Nationale Nederlanden, for years the market leader, absorbed the troubled Amfas group and so helped maintain something like the old differentials. Amfas has not disappeared, but its rescue means that it is now firmly part of the Nat-Ned empire.

Amev, the former number two, had to content itself with relegation to third position. If it is hurting, its figures keep the wounds effectively disguised. Delta Lloyd, wholly owned by Commercial Union of the UK, has similarly remained steady. Both had good opening first quarters this year, the results of which nearly got forgotten amid the tumult from above.

The history of Dutch insurance is the history of mergers. Like predatory beasts, the companies have stalked each other for generations, and the survivors have grown fatter with each victim they swallow. Today, the process is no doubt incomplete. Yet the only way the truly large companies can now swell in size through acquisition is for them either to buy something really substantial abroad or else start on each other.

Insurance, despite its associated virtues of care, consideration and caution, has always been a *cut-throat* business. There is no insurance against a takeover. And the Dutch are a competitive race.

They have been engaging in insurance for nearly 400 years. The first-ever, custom-built insurance exchange was established in Rotterdam while Queen Elizabeth I was still on the throne of England, and the Amsterdam marine insurance bourse was built in 1611, close on two centuries before Lloyd's of London.

It is quite a tradition, and as a mercantile people with a history of trading round the globe, it is scarcely surprising that the Dutch have taken their insurance with them wherever they have travelled.

Foreign business is now of the utmost importance for nearly all Dutch insurers. Holland, with its advanced market economy and strategic business location is an almost ideal base for an insurance industry. But a population of less than 14.5m cannot be expected to sustain strong growth unaided. All the Dutch "majors" now have important overseas subsidiaries.

A broader base

One of the reasons given by Aegon for its formation was the desire of Ennia and AGO to provide a broader base for international expansion. Together, they have substantial interests in the U.S., Canada, Britain, Spain, Belgium, Surinam and the Netherlands Antilles, plus representatives in Switzerland, the Middle East and Singapore.

Aegon plans to expand further abroad and is also keen to use its new strength as an institutional investor in world capital markets. The group gave as its "most important" reason for coming into existence a wish by Ennia and AGO to integrate and strengthen their position in the sophisticated home market.

But this ambition, while real, is a measure of the limitations imposed on domestic operations by the scale of the Netherlands. Dutch business will no doubt continue to grow, and it will probably remain the biggest single source of revenue for many years to come. But the larger stage is already set, and the main dramas of the future are likely to be played there.

Aegon has got off to a good start. Its first consolidated results, for 1983, though necessarily slightly artificial in character, showed a 19 per cent increase in gross receipts, to Fl 8.5bn. Just under half came from overseas. Net profit rose by 20 per cent, to Fl 228m.

During the first quarter of this year, earnings were boosted by 27 per cent against January-March 1983, and revenues were 11 per cent higher. Pre-tax profits in the life sector were up 52 per cent, while non-life suffered a small loss, of Fl 2m.

Nationale Nederlanden already owned 40 per cent of the shares of Amfas before unresolved difficulties in the property and marine insurance sector caused the smaller group to endorse a complete takeover in February.

Amfas had suffered losses totalling Fl 168m in 1982 and 1983 and was clearly in deep trouble. Under the new arrangement, put through at the end of March, it will continue to trade separately, and Nat-Ned will benefit from its healthy insurance division.

The number one Dutch insurer also helped put Westland-Utrecht Hypotheekbank, the Netherlands' largest independent mortgage bank, back on its feet this year after it, too, had been hard hit by the long slump in property prices.

Westland-Utrecht denies that it faced bankruptcy. It says simply that since Nat-Ned already had investments in it and was without a property development division, it seemed a natural choice. The giant insurer bought Westland's remaining property portfolio for some Fl 800m and helped form a trust to manage existing mortgages. The bank today is consequently much recovered and expects to move into the black this year.

Nationale Nederlanden itself had revenues last year of Fl 13bn, more than half derived from abroad. Life business accounted for 37 per cent of the total, and non-life 30 per cent. January to March saw a further, overall improvement in revenues of 28 per cent.

Amev in 1983 recorded a net profit of Fl 208m — up 17 per cent—on revenues up by a similar amount to Fl 5bn. Life and non-life each performed well, and the Netherlands was the most important source of income. Business expanded considerably in America, but start-up costs put pressure on the U.S. results. This year, first quarter results show further improvement, with earnings up 22 per cent and revenue 13 per cent. Amev expects 1984 to be significantly better financially than the previous 12 months.

Delta Lloyd, which has been growing steadily down the years, made a pre-tax profit in the first three months of this year of Fl 37m, an increase of nearly 8 per cent, on total revenues 2.6 per cent up, at Fl 876m. Accident insurance contributed only a tiny fraction of profits with most coming from the life sector.

More emphasis on small companies

Electronics

WALTER ELLIS

SAY "electronics" in the Netherlands and most people think at once of Philips. This is scarcely surprising. For though the Edinhoven-based multinational has had its share of problems in the consumer goods sector in recent years, it remains one of the most innovative and cash-rich companies around, with interests in practically every sphere, from computers and telecommunications to video recorders and razors.

Yet even Philips has its limitations. It is highly inventive — as witness its compact disc and video technology—but it is so vast that individual ideas do not always come to the fore as quickly as the company would wish.

These days it is quite often the small man, working on his own or with a couple of employees, who comes up with the best ideas, and such people, given the right financial and management assistance at the right time, can still change the face of high technology. What is true of individuals is true of the whole Dutch electronics industry. They need large-scale investment just to survive.

Dr Wisse Dekker, the Philips chairman, is among those who recognise this. "People in a small company are dedicated and can often be a lot quicker," he says. "But they need help." Last year, Philips responded to the phenomenon by forming a venture partnership with the Nederlandsche Middenstandsbank (NMB) aimed at providing start-up companies in the high-tech area with scientific and entrepreunarial assistance.

It is not a question of the multinational seeking to acquire good ideas on the cheap. Philips would bid for any processes in which it was interested on an open-market basis. Rather, it is a matter of helping to vitalise the climate for electronics in the Netherlands to provide a fuller background in which Philips can operate.

A sound idea

The idea is a sound one. It will take more, however, than even Philips can provide to broaden the Dutch base in this key growth sector. The Nationale Investeringsbank (NIB) said in March that the Netherlands' micro-electronics industry in the 1980s was showing rapid growth but could be hard hit if businessmen failed to specialise and seek new markets.

In "A Future for Applied Technique — A Profile of the Netherlands' Micro-Electronics Industry," the NIB warned that Dutch companies had got to look outside their own country for orders if they were going to survive. Too many were concentrating on the home market, with its limited demand, and were less aware than they should be of the possibilities elsewhere bringing with them potential for rapid growth.

At the moment, there are approximately 250 micro-electronics companies in the Netherlands, almost all with fewer than 200 employees. In total, at the end of 1983, these ventures had a workforce of 6,136 and sales of Fl 1.2bn. Some 17 per cent of the 250 had doubled their sales in the two years since the beginning of 1982, and a further one-third had increased turnover by at least half. Only 15 per cent had suffered a decline in sales over the period, against a national average for manufacturing industry of 38 per cent.

These NIB figures certainly suggest a keen and thriving sector. The scale, though, remains small, and in many cases the work in which companies are engaged is relatively conventional. Most of the 250 produce materials for industrial measuring, regulating and process control. A small number work in the agricultural, medical and security systems area, while the newest companies of all tend to concentrate on consumer products, automatisation and robotics.

Dr Wisse Dekker, chairman of Philips. He believes people in small companies are dedicated and can often be a lot quicker.

To increase the size of the industry and, at the same time, expand its catholicity, the Government this year announced that it was going to raise the extent of state support for new technology research. A high-level working group had urged the Economics Ministry to double its research subsidy to the industry, observing that the Netherlands, since 1980, had fallen far behind other industrial nations in amounts spent on research and development.

At a time when Japan was spending 2.6 per cent of its gross national product on research and development (R & D), and West Germany 2.7 per cent, the Netherlands was managing only 1.9 per cent. And of the total spent, the Government in The Hague contributed only 4.5 per cent, compared with between 10 and 20 per cent in many other western countries.

Mr Gijs Van Aardenne, the Economics Minister, noted in his turn that the amount spent by the private sector was unsatisfactory. Moreover, about 70 per cent of private sector R & D was carried out by just five multinationals.

To boost the smaller ventures, he announced a scheme, worth Fl 220m annually, to take effect from October 1, under which money will be provided to assist develop new ideas. Academic research would also be encouraged to adapt more to the needs of industry, with money being directed at innovatory research.

Mr Van Aardenne said that he wished to see a closer relationship between schools and universities and the labour market. Mr Wim Kok, leader of the FNV trade union federation in the Netherlands, shares this view and is also aware that his union membership must adapt to new technology if, in the long-term, jobs are not to be lost to foreign competition. He is seeking talks between the unions and the Government on technology and the job market.

When announcing his new subsidies scheme, Mr Van Aardenne referred to the possibility of bilateral co-operation in the high-tech areas with other European countries. Not long afterwards, a consortium of publicly-funded institutions, including the Limburg Development Bank, launched an initiative aimed at Dutch participation in Inmos, the British state-owned micro-electronics concern.

The idea was that a second plant would be established in South Limburg—a chronically depressed region—using Inmos technology, but so far no decisions have been taken and foreign competition for a stake in the British concern is considerable. Certainly, if the Dutch bid did come off, it would be a major boost to Dutch electronics.

A recent report, published in the UK ("The Electronics Location File"), noted that the Netherlands this year overtook Taiwan, Canada and Italy as a base for new, U.S.-owned electronics companies. A total of 28 American companies intends opening production plants or offices in the electronics sector over the next three years, the report said, and Holland was now number seven in the list of most favoured locations, behind the UK, Ireland, West Germany, Mexico, Japan and France.

The Evoluon Exhibition Hall in Eindhoven, built to mark the 75th anniversary of Philips

Among the existing Dutch companies making headway at the moment are Minihouse Holding of Gouda and Synterials of Terborg, both of which raised a considerable volume of funds last year on the London markets.

Minihouse, which designs its own computer software and sells and adapts imported computer system, achieved gross profits in 1983 of Fl 2.78m, up 89 per cent. It tried unsuccessfully to raise cash on the Amsterdam markets but was ignored. On the Granville Over-the-Counter market in London, it managed Fl 3.67m of new equity capital through an issue of 300,000 shares and has since proved one of Granville's star performers. It now employs well over 100 workers, most of them young, and seems set for another good year.

USM high flyer

Synterials, which uses computer technology to design and adapt revolutionary composite materials for industry, raised some Fl 90m last year on the London Unlisted Securities Market and is now involved in setting up production facilities in Britain to operate alongside its research plant in Terborg. It seems a high-flyer and is much talked about on the USM.

Docdata of Venlo, which has dared to pioneer work in an area in which Philips is also active — digital optical storage —went for its funds to the Amsterdam parallel market and has had a tougher time of it. Much publicity surrounded the launch of its new shares, but at first there was a scarcity of stock and now shares are trading at below their issue price of Fl 40. Even so, a considerable sum was raised, and the stock exchange is now looking at ways in which it can avoid further leakage to London while improving services in Amsterdam. In the meantime, Docdata itself is optimistic about its prospects.

New help from government and a progressive attitude to new technology on the part of the trade unions should help the new generation of high-risk companies. But Dutch investors have a role to play, too, and it is clear they are going to have to be tempted out of the more traditional "safe" sectors.

Unafraid to court unpopularity in search for revenue equilibrium

Taxation

WALTER ELLIS

TAXATION as an instrument of economic reconstruction can be a two-edged sword. Cut too much in a bid to assist industrial recovery and the Treasury has to cope with an increased deficit, bringing with it the need to raise borrowing. Hold back in the hope of paying the nation's bills and the businessmen and would-be entrepreuneurs scream for action.

In the Netherlands, Mr Onno Ruding, the tough-minded Minister of Finance, has sought to pursue the Thatcherite third option, of cutting taxes alongside public spending, accepting the accompanying sectional approbrium as a hazard of the job. But, as in England, the goal has proved elusive and progress has been slow. Getting revenues and spending into a benign balance is dependent on too many variables for it to be an exact science.

Mr Ruding is stern in his approach and appears quite unafraid to court unpopularity. He has been fortunate, however, in that the most vital single variable, international economic recovery, has begun to come right for him, giving his internal measures just the boost they required.

In a recent letter to Parliament, the minister forecast a budget deficit this year, for central and local government combined, amounting to 10.7 per cent of net national income, compared with 11.5 per cent in 1983. This leaves a public sector borrowing requirement of Fl 32bn instead of the Fl 36bn reckoned with last September at the time of the budget.

Tax fraud costs

Taxation revenues have actually increased and the May official forecast for 1984 was of Fl 94.75bn—Fl 1.75bn more than predicted in the budget—despite a level of tax fraud estimated to have cost the exchequer Fl 35bn last year.

Mr Ruding attributes this development to the fact that the economic revival has so far exceeded expectations, with private consumption experiencing a sharp pick-up in recent months alongside an expansion in trade. Sales of Dutch natural gas have also yielded more cash than had been thought, while the Central Bank in Amsterdam appears set to contribute around Fl 1bn from its 1984 profits, against Fl 400,000 in 1983.

In the first three months of this year, government revenues were 2.7 per cent (Fl 505m) up on the opening quarter of 1983. Growth was most apparent in the excise sector (up 14.3 per cent) and in income tax (up 12.9 per cent). A 29 per cent rise in revenues from import duties was put down to the trade surge since January, while an increase of 1 per cent in the standard rate of value added tax (VAT) since January helped lift sales tax income by Fl 338m.

Corporation tax, on the other hand, produced a revenue yield down 68 per cent on the first quarter of 1983. The main reason for this, according to the ministry, was not any disastrous slump in industrial performance this year—for company profits have, in the main, been moving up steadily over the last 12 months—but an unusually high volume of cash collected between January and March last time round.

Mr Onno Ruding, the tough-minded Dutch Minister of Finance.

Certainly the fall had little or nothing to do with the reduction in the rate of corporation tax, from 48 per cent of earnings to 43 per cent, introduced at the beginning of this year. The lag in revenue collection is at least three months, and a clear picture for 1984 as a whole in this area will not be revealed until next spring.

Whether the Netherlands will be able to go ahead with its 1982 undertaking to cut corporation tax a second time, to a rate of 40 per cent, depends very much on the prevailing economic climate towards the end of this year, or later. Mr Ruding did originally promise to bring in the 40 per cent rate with effect from January, 1985, but he has since back-pedalled on this and the September budget announcement is expected to concentrate on a reduction instead in the level of employers' social welfare contributions. The argument here is that those, mainly big, companies which make hefty profits are helped by tax cuts, while smaller, domestic companies, with limited earnings potential just now, go unrewarded.

For the moment, industry remains grateful for stage one, to the extent, in fact, that Mr Wim Kok, head of the FNV trade union federation, has warned ministers not to featherbed industry at the workers' expense.

Additional incentives to industry in the tax sphere take the form of revised regulations affecting tax refunds—making it possible to offset losses more quickly than at present—and an easing of the rules on business successions. In total, the value to industry of the various changes enacted this year should come to around Fl 700m.

On the VAT front, policy is less clear. The 1983 budget saw a 1 percentage point rise in both the ordinary and reduced rates of VAT, to 19 per cent and 5 per cent respectively.

Last month, then, Mr Henk Koning, State Secretary to Mr Ruding at the Finance Ministry, told a meeting of soft drinks manufacturers that a uniform rate of VAT was under consideration. Studies had shown, he said, that no negative effects would result from standardisation if it was introduced in stages.

The idea of a uniform rate of, say, 10 per cent, would no doubt please manufacturers of consumer goods, who could expect a boost to their sales, but an increase in the price of foodstuffs and children's clothing would inevitably meet with opposition.

On the psychologically vital income tax front, remarkably little has been achieved during the present Government's period in office. Some reductions in the top rates have been introduced, while families with more than one income now find husband and wife taxed as individuals and thus paying more.

Only this summer have there come proposals of real reform, and these so far have been tentative at best. Mr Ruding said last month that the Cabinet was willing to consider a reduction in the level of personal taxation, but only if this could be linked to progress on the 35-hour working week. The FNV — which is strongly in favour of shorter-time working — responded by warning that, without lower income tax, it might be difficult to keep wage demands this year at the modest sort of level the Government is seeking.

On the international front, the Cabinet remains anxious about the policy of unitary taxation applied by 12 U.S. states under which the local subsidiaries of international companies are taxed on the basis of their worldwide earnings. Royal Dutch/Shell, Philips, Unilever and Akzo are the principal Dutch companies to suffer from unitary taxation, but there are others.

All are being taxed twice on what they produce round the world. Mr Henk Koning has called the system "unfair and inequitable" and has described it as being "at variance with international law".

Mr Ruding discussed the matter last month in The Hague with Mr Donald Regan, the U.S. Treasury Secretary, but while happy with the Federal Government's desire to confine the tax liability of foreign companies to profits generated within America, he was distinctly unhappy about Washington's unwillingness to apply pressure to the states concerned.

Pressure in the opposite direction has concerned the tax status of the Netherlands Antilles, which have operated as a tax haven for many years, much to the irritation of Washington. The Antilles are due to be declared independent in the next year or two, although there are political problems here, and America would like to have various problems straightened out before this happens.

Less attractive

The Dutch, for their part, have taken the initiative by agreeing a deal in April that should have the effect of making an Antillean connection less attractive to Dutch companies. In future, the Netherlands will levy a dividend tax of 7.5 per cent on distributions paid to an Antilles corporate shareholder owning at least 25 per cent of the shares of a Dutch company.

The Antilles holding company will then be subject to tax on the dividend at a maximum rate of 3 per cent. Should the Antilles raise its profits tax on offshore income to at least 5.5 per cent — instead of the present 3 per cent — Holland has agreed to reduce its own takings to 5 per cent.

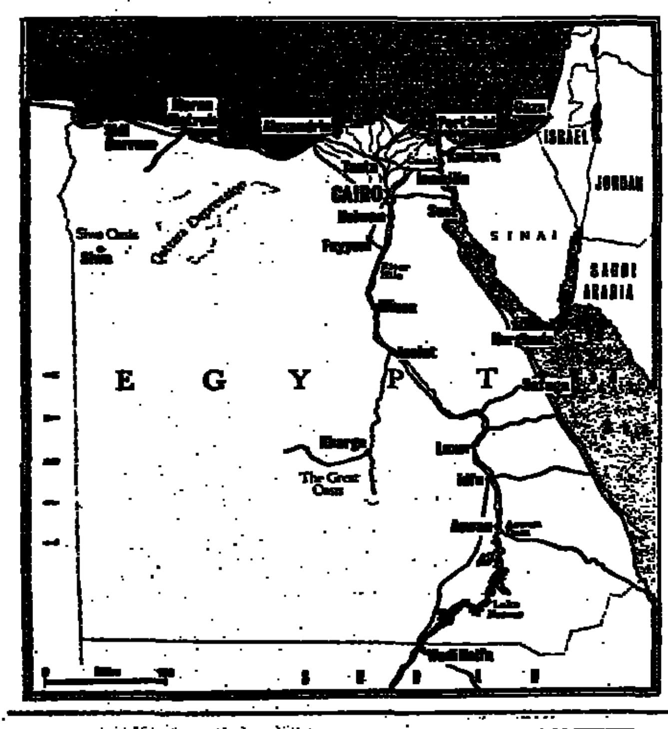
Mr Ruding has no desire to damage the Antillean economy, which is dependent on the offshore sector for much of its income. What he has shown the U.S. is that it is possible to reach a bilateral agreement that is reasonable without being punitive.

FINANCIAL TIMES SURVEY

Five years of peace with Israel have enabled Egypt to edge forward politically and economically. The Middle East's chronic instability poses a constant threat, however, and has left President Mubarak's Government apprehensive, and wary of taking initiatives.

EGYPT

President Hosni Mubarak: limited options both at home and abroad



Room to manoeuvre severely restricted

BY PATRICK COCKBURN

TWO EVENTS have given Egyptian politics their present shape and substance: the peace treaty with Israel in 1979 and the assassination of President Sadat in 1981.

The treaty won back Sinai for Egypt, and has ended the threat of war. In the region as a whole, however, it has ushered in a strategic imbalance between Israel and its Arab neighbours which has led to more, not less, conflict. The final Israeli withdrawal from Sinai in 1982 was followed within weeks by the Israeli invasion of Lebanon.

In the two years since the Israeli siege of Beirut Egypt has not edged away from the peace treaty itself, but normalisation of relations with Israel has been frozen, and is likely to remain so. The main Egyptian hope is that relations will get no worse, and that the Israeli elections on July 23 will see a change of Government.

The worst that could happen, as far as President Mubarak is concerned would be the return of Prime Minister Mr Yitzhak Shamir, with Gen Ariel Sharon, the architect of the Lebanese invasion, waiting in the wings. A move by Israel back to the more aggressive policies of 1981-82 would erode the bases of the treaty. However strong the desire for a quiet life in Cairo, the Government could not always stand aside if new wars were to occur between Israel and its eastern neighbours.

This is not because of any desire for a more militant policy among Egyptians. The wish for peace is strong, making it difficult for an Egyptian Government to take active measures against Libya, or in support of Iraq or Sudan. At the same time, however, Egypt could not cocoon itself and again disregard crises in the area around, as it did in 1982.

The problem is that President Sadat left Egypt with few policy options. When he was assassinated in 1981, Egypt was so closely aligned with the U.S. that Washington took its position in Egypt very much for granted. This assumption continues.

Low turnout

Efforts by President Mubarak to adopt an approach that will appear more non-aligned have not carried conviction. The Soviet ambassador has yet to return, despite prolonged negotiations. Egypt does not have the leverage on the U.S. needed to get negotiations on the West Bank and Gaza under way.

The shock of the assassination of President Sadat is also still preventing the Government from taking initiatives at home or abroad. The threat from fundamentalist groups seems limited and the chances of a local uprising, like that at Asyut in 1981, are small. The Government, nevertheless seems almost obsessed by the need to ensure its own security and to avoid any risk.

The parliamentary elections in May gave the regime the chance to establish a broader base. The plan was that elections would be free even if the rules favoured the party in power. In the event only the Neo-Wafd conservatives cleared the 8 per cent of the vote needed to get any seats in the assembly. The two leftist parties failed to win any seats.

The turnout was very low, according to reliable reports and outside Cairo local governors, though not the Interior Ministry, interfered in the voting on a wide scale. It is not surprising that the election results have been greeted with cynicism.

The death of Mr Fuad Mohieddin, the prime minister, within weeks of the election has opened the way for change but new personnel at the top will not, necessarily, lead to new policies. No radical change in foreign policy is, in fact, likely unless it is forced upon Egypt.

The room to manoeuvre on domestic policies is equally restricted. Diplomats speak of reducing the system of food subsidies—the basis of life for many in the slums of Cairo and Alexandria—but the Government is unlikely to act.

The memory of the riots of 1977, when subsidies were cut, remains fresh enough to dissuade the regime from such an initiative. Similar riots in Morocco and Tunisia within the last year will also have reduced any desire for change.

The most ominous difficulty for the Government—and the most intractable—is that the parts of the economy which showed the fastest growth after 1973 have reached a plateau. Oil production may climb to 1m barrels a day by the middle of the decade but will then decline unless new finds are made.

The key to economic growth during the 1970s has been remittances from Egyptians working in the oil states. Exactly how much comes in from this source is not known but it is probably \$3-5bn. The remittances are not likely to fall as Opec revenues diminish, but they will not increase substantially. Suez Canal and tourist revenues are rising only slowly.

The level of future remittance earnings is not something the Egyptian Government can control but, in the long term, the money made by Egyptians in the oil states will always be more important than any hypothetical Arab aid.

The economy in which most Egyptians participate is a different one where low wages and low productivity—a step above complete deprivation—rule. It includes most of the 4.5m who work for the Government. For this group, subsidies on basic foodstuffs means the difference between poverty and starvation.

Compared with many other countries faced with the problem of rapid population growth and an increasing food deficit the Egyptian system has not worked badly. Can it continue to do so?

Population boom

The argument against the system is that it has led to unsustainable budget and current account deficits, yet it is difficult for the Government to undertake the structural reforms which might lead to the present situation being improved.

The system of subsidies for basic needs was built up by Nasser in Egypt but it is by no means unique to the country. The state provides for the consumption demands of the poor and the Government provides jobs at low wages, while the ruling elite shores up its power by economic populism.

President Sadat did not change this system. His only serious attempt to do so in 1977 provoked widespread rioting. The most important economic change during the Sadat years was the move of Egyptian labour to the oil states which would probably have occurred whoever had been in power.

No real change in Egypt's economic or foreign policy is, therefore, likely in the immediate future. The Government's desire or need to do anything is limited. In the long-term, it will be the victim or beneficiary of policies initiated before President Sadat was assassinated.

IN THIS SURVEY

Editorial production: Mike Smith. Design: Phil Hunt. Photographs: Terry Kirk

EGYPT 2

Charles Richards reports on the people who make Egypt's decisions, the rules they must observe and the interest groups they have to satisfy

THE CONSTITUTION

The Arab Republic of Egypt, the constitution tells us, is a democratic socialist state based on the alliance of the working forces of the people. The Egyptian people are part of the Arab nation and work for the realisation of its comprehensive unity (Article 1).

Islam is the religion of the state and arabic its official language. Islamic jurisprudence *(sharia)* is the principal source of legislation (Article 2).

The economic foundation of the Arab Republic of Egypt is a socialist democratic system (Article 4).

By tradition and the constitution, power is concentrated in the hands of the *rais* (President). Egypt's system is based on de Gaulle's fifth republic: elections for President and Parliament are separate. Either the President or Parliament can propose legislation.

As chairman of the ruling National Democratic Party that won 390 of the 448 elected seats in Parliament, President Mubarak can propose laws—if he chooses—without fear of opposition.

There are two chambers of Parliament: Maglis Il Shaab (the people's assembly) and the *Maglis Il Shura* (the consultative chamber that has no legislative power). Ministers can be appointed from outside Parliament but are answerable to it. Fifteen Ministers stood for elections and won.

The constitutional powers of the president make those close to him extremely powerful. One who has his ear not just over foreign affairs is the director of his political office the diminutive Harvard - trained lawyer, Dr Osama Al-Baz.

Left: Field Marshall Abdel Halim Abu Ghazala, deputy prime minister for defence. Right: Mr Kamal Hassan Ali, acting prime minister.

INSTRUMENTS OF CONTROL

Armed Forces: The final arbiter in Egyptian politics. Would have to decide at what point to intervene in case of breakdown of internal security, as happened when three officers staged the 1952 coup which overthrew the monarchy.

The armed forces is creating its own empire—homes for officers, food self-sufficiency projects, poultry farms, pharmaceutical factories, etc., to give jobs to Egypt's peacetime army and to reduce its burden on the civilian budget and lessen its exposure to criticism from the civilian populace.

Police: raw recruits are those conscripts the army rejects as illiterate. Officers are generally of a higher social class and have a higher standard of education than those in western countries.

Many branches exist, from hopeless tourist and traffic police to generally successful criminal investigators.

Il Amn Il Merkazi (central security) is a para-military police force used for riot control.

Under the Minister of Interior is Mubahis Amn-Il Dawla, the state security police. It has a vast network of informers, phone-tappers and officers, but is hampered by rivalry with Mukhabarat Al Amm (general intelligence).

Mukhabarat Al Amm is headed by General Afifi, a close confidant of President Mubarak who himself used to co-ordinate intelligence when vice president. It is responsible for reporting on public opinion inside the country, and spying on Egyptians abroad.

It has close links with the State Information Service (SIS).

Military intelligence (Mukhabarat Harbiyya) doubles up for reconnaissance. Mukhabarat Haris Il Hudud (border guards) protect the shorelines against infiltrators and smugglers and issue permits to camp in the South Sinai nature reserve.

The President has his own blue bereted praetorian guard (Il-Haris Il Gumhuri) whose glamour is equivalent to the Household Cavalry in Britain.

The Socialist Prosecutor General: (Il Muda'a Il Amm Il Ishtiraki). "The biggest dictator in Egypt," according to Liberal Party leader Mustapha Kamal Murad. Wide powers of sequestration and custodial detention, set up by President Sadat to deal with political opponents where evidence was insufficient to press criminal charges. Used principally to investigate all allegations of corruption, or excessive profiteering by building merchants.

Private businessmen blame the failure of the Socialist prosecutor to distinguish between business and corruption for current edginess in the market. Most notable victim was President Sadat's brother Esmat, released after a year's detention.

INTEREST GROUPS

The party: The National Democratic Party. Historically less of a party than a vehicle for dispensing favours to its members. When President Sadat announced the formation of a new party almost the entire membership of the Il-Misr party resigned to join the new party even before it had a name or programme. President Mubarak is endeavouring to make it a real political force with popular appeal by building up its secretariat. Powerful men include the little known organisation secretary, Kamal Al-Shazli.

The judiciary: an institution that prides itself on its independence for which President Mubarak has shown more respect than did President Sadat. Maglis Il Dawla (council of state) deals with all disputes with government. It also checks all agreements with oil companies and aid donors. Maglis Il Dawla lawyers held up the signing of the first contract for the Cairo Wastewater Project.

Professional Associations (niqabat): the most celebrated is that of the engineers headed by the multi-millionaire, former chairman of the Arab Contractors Company, Osman Ahmed Osman.

Any company with the name Al Mohandes is probably owned fully or in part by the engineers' syndicate or its pension fund: Al Mohandes makes spaghetti, sells insurance, has a data processing firm, reclaims desert land and runs a bank.

The engineers' syndicate provides benefits for members in both the private and public sectors.

President Sadat successively and successfully brought the doctors, engineers, and pharmacists, unions round to support him, but failed ever to control the lawyers and the judges, club who remained opposed to Camp David.

Trade Unions: Not in themselves powerful since the General Federation of Trades Unions is a state body, but many of the workers in industrial centres like Mehalla El Kubra Textile Complex are militant. Although strikes are illegal, workers have struck this year over conditions and pay at the El Nasr Piping Company in Helwan and in one of the military production factories.

THE GOVERNMENT

President of the Republic: Muhammed Hosni Mubarak.

Vice President(s): vacant.

Prime Minister: vacant.

Acting Prime Minister and Deputy Prime Minister: Kamal Hassan Ali. An avuncular former army general and defence minister, his chubby smile conceals a quick intelligence.

He has been dealing with foreign affairs but also has a good grasp of economic and domestic issues acquired when he was head of Il Mukhabarat Il Amma (general intelligence) and a member of the Inner Cabinet (the higher council on policy).

Colleagues in the Foreign Ministry say he has a good memory for facts and details of past economic agreements.

Whereas his predecessor, Dr Fuad Mohieddin, had a reputation for centralising decision making, Kamal Ali is happy not only to delegate authority to subordinates but to back up their decisions. The ill health, for which he receives treatment abroad each year, is not said to *impair his memory, judgment* or temper.

Deputy Prime Minister for Production—(and Minister of Petroleum): Ahmed Ezziddin Hillal. An ebullient technocrat, 10 years a minister, running the most efficient sector of the economy up to international standards. Very keen to reduce energy subsidies. Possible future prime minister, though not a party man and not in parliament.

Deputy Prime Minister for Defence: Il Mushir Field Marshal Abdel Halim Abu Ghazala popular artillery officer trained in both the USSR and U.S. Regarded as pro-western though like most Egyptians he is first and foremost a nationalist. From humble origins in Beheira, claimed by Awlad Ali tribe as one of theirs. Long tipped as a future vice president.

Deputy Prime Minister for Services: Dr Mustapha Kamal Helmi (also Minister of Education). Less colourful, more patrician than other deputy prime ministers. A technocrat who served with the United Nations Educational, Scientific and Cultural Organisation (UNESCO). Senior minister in Parliament.

Minister of Interior: Hassan Abu Basha. Former head of internal security (Mubahis Amn Il Dawla). Stood for parliament in the elections he supervised. Close to President Mubarak.

Minister of Economy: Dr Mustapha Al Saeed — parliamentarian, economics professor, educated in England.

Minister of Finance: Dr Salah Hamed: academic, English educated. Not in Parliament.

Minister of Investment and International Cooperation: Dr Waguih Shindy. Former investment banker, lampooned in cartoon series earlier this year for bureacratic red tape at investment authority.

Minister of Reconstruction, Housing, Land Recalamation: Hassaballah Al Kafrawi.

Minister of Manpower: Saad Muhammad Ahmed.

Minister of Justice: Ahmed Mamdouh Attia.

Minister of Communications and Maritime Transport: Suleiman Mitwalli Suleiman.

Minister of Irrigation: Muhammed Abdel Hadi Samaha.

Minister of Power and Electricity: Muhammad Maher Abaza prefaces his remarks with "I'm energetic because I'm Minister of Energy." Comes from well known political family. His elder brother won a seat for the Opposition Wafd in the same constituency. An MP.

Minister of Supply: Dr Nagui Shetla, a former professor of agronomy.

Minister of Planning: Dr Kamal Al Ganzouri. Responsible for application of five-year social and economic development plan that is keystone to President Mubarak's economic strategy.

Minister of Tourism and Civil Aviation: Tewfik Abdu Ismail, a former free officer who fell out with Nasser within three days of the 1952 overthrow of the monarchy. Ran Shell in Egypt for many years. An MP.

Minister of Local Government: *Saad Maamoun*, ex-Army, former Governor of Marsa Matruh and Cairo. Responsible for decentralisation and devolution. Wields power as co-ordinator of provincial governors.

Minister of State for Agriculture and Food Security: Dr Youssef Wali, a landowner who accepts no benefits or salary from state since as a bachelor he has no-one to pass on his money to. Mubarak's type of clean, hardworking man—some see him as future Prime Minister, although he has no real power base. An MP.

Foreign Affairs Minister: Dr Boutros Boutros Ghali.

Military Production Minister: Eng Gamel El Sayyed Ibrahim.

Health Minister: Dr Sabri Zaki.

Culture Minister: Mohammad Radwan

Information Minister: Safwat *El Sharif*.

Awqaf (religious endowments) Minister: Sheikh Ibrahim Al Dessouki.

Migration and Egyptian Abroad Minister: Albert Barsoum Salama.

Parliamentary Affairs Ministers, Muhammad Rashwan Mahmoud and Mukhtar Hani.

Cabinet Affairs and Administrative Development Minister: Adel Abdel Baqi.

RELIGION

Islam is the state religion and Al Azhar University is the oldest in the world and foremost seat of Islamic teaching.

The Sheikh of Al Azhar and Mufti of the Republic are appointed by the state and can be called upon to give religious judgment in support of state policy.

The Muslim brotherhood, though banned, are tolerated, and have a handful of seats in the new Parliament under the new Wafd umbrella. They seek to make Egypt a more Islamic society mainly through education.

The Islamic trend has been the most potent and growing force in Egypt over the past 10 years and has found violent expression.

Militant Islamic groups (Al Gamiyat Il Islamiyya) derived support of the socially dislocated among the young particularly at universities. The Government has been partly successful in defusing tension by dialogue and discussion of Islamic issues on television and in the Press. The cycle of violence that comes round every two or three years as groups regroup is expected to come round soon.

Several hundred extremists are on trial charged with belonging to the Al-Jihad Organisation which plotted to overthrow the state by force in 1981.

Coptic Christians form 10 per cent of the population. Harmonious relations with Muslim majority broke down in the early 70s as the Coptic Church under their new leader, Pope Shenouda III attempted confrontation with the Government for supposed lack of concern over the plight of copts in the face of Islamic militancy.

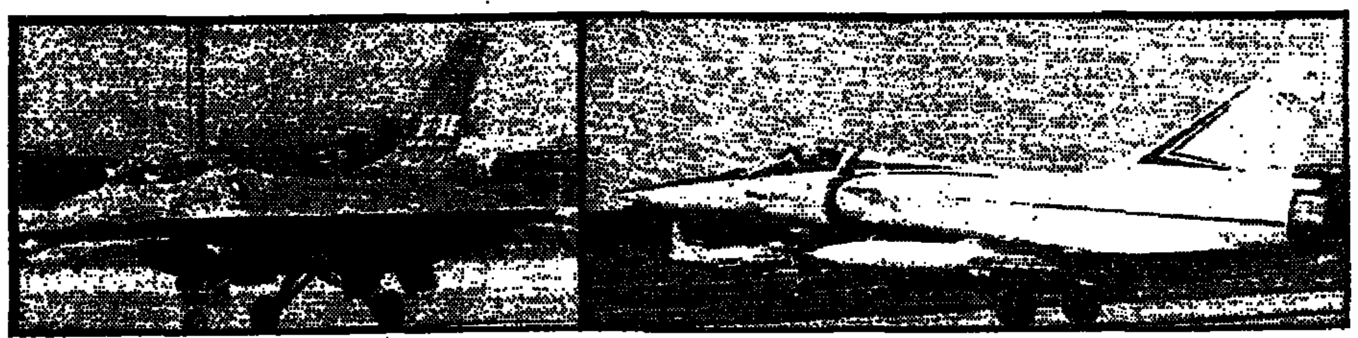
Pope Shenouda III: hopes for his release

President Sadat eventually stripped Pope Shenouda of his temporal powers, and placed him under de facto house arrest in a desert monastery.

Copts hope for his release after the start of the new parliamentary session, but may have to wait until the outcome of the trial of Al Jihad.

Copts, because of real or perceived discrimination, have tended to gravitate toward the private sector and are heavily represented in banks, pharmacies and foreign companies.

EGYPT 3



New might for the airforce: 40 F-16s (left) are on their way or have already been delivered; and the French are selling Egypt 20 Mirage 2000s (right) and more later

Soviet-made T-62 tanks on parade

Defence

All eyes on Israeli election

IMMEDIATELY AFTER the treaty between Israel and Egypt was signed in 1979 it was reasonable to ask if the role of the 447,000-strong Egyptian armed forces would change. Would the position of the army, the cornerstone of the regime since 1952, be modified by the new political circumstances?

In the event the five years since the treaty have seen more armed conflict in the Middle East than the five years before it was signed. War in Lebanon and Iraq has not posed any threat to Egypt but the political climate has become colder. The chances of the role of the army being changed, however slightly, are now small.

Nobody in Egypt expects, and few want, the treaty with Israel to collapse in the near future but, as one official remarked, "over the past two years the Egyptian army has begun to pay more attention to the Israeli threat." To be taken more seriously by Washington and Jerusalem Egypt needs to do something to make the military balance less one-sided in favour of Israel.

This is difficult to do. The shape of the inhabited areas of Egypt—along the Nile and in Cairo and the delta—makes it difficult to defend. This is made worse by the clauses in the 1979 treaty limiting the Egyptian forces to the east of the canal in Sinai.

Faute de mieux the canal remains the main defensive line. Some eight divisions of the army are stationed here, two in Cairo and two facing Libya.

The difficulty of changing, though not transforming, the military balance with Israel is exacerbated by switching the armed forces from Soviet to western and primarily American weapons. This is a long-drawn-out business: Skyguard, Crotale and Hawk missile systems will soon be in a position to defend the main strategic areas such as Port Said, Ismailia and Cairo. This will provide an integrated air defence system.

The airforce is similarly being upgraded with 20 F-16s already delivered and 20 more to come. The French are selling 20 Mirage 2000s and more later. "The problem of the Egyptian airforce," say military attaches in Cairo, "is maintenance."

The same is true of most other airforces but it is unclear how many of the quite limited number of modern aircraft in the Egyptian airforce could be kept combat-ready in the event of another conflict.

The tank force also needs upgrading. The U.S. has supplied M-60 tanks in addition to the Soviet T-54/55s and T-62s. It is unlikely that anybody else will be able to match U.S. credit terms when it comes to ordering a new main battle tank such as the *Abrams*.

Some foreign military observers now believe that the Egyptians would have been better off with more numerous and cheaper, if less sophisticated weapons. This would also enable Egypt to absorb more weapons fast.

In the long term, however, much will depend on the degree of threat facing Egypt. There is no desire for any involvement in the Iran-Iraq war or in Sudan. Relations with Libya are much less volatile than under Sadat.

The key question about the future of Egyptian defence policy can only be answered in Israel. If Mr Yitzhak Shamir, with Gen Ariel Sharon, as his master of horse, is returned in the Israeli general election then the defence problems facing Egypt will have a new seriousness.

Patrick Cockburn

Foreign policy

Staying on the sidelines

TWO WARS in the past five years have dominated the politics of the Middle East: the Iran-Iraq conflict, which has *gone on since 1980, and the complicated* struggle in Lebanon since the Israeli invasion in June 1982.

In both these Egypt has remained on the sidelines but no other power has proved capable of taking-over the role Egypt once played. The absence of Egyptian involvement is still a critical determinant in the region's political terrain. The treaty between Egypt and Israel in 1979 remains key to the balance of power in the region.

This was made vividly clear by the Israeli invasion of Lebanon in 1982. "Without the Egyptian linchpin the Arabs simply had no credible military option vis-a-vis Israel," notes an Israeli commentator.

Balance

"In 1982 there was no eastern front; there was no strategic balance with Syria; there was no viable Arab military alliance of any kind. This was in stark contrast to 1973; from the Arab point of view this was clearly a strategic retreat of profound significance, the full implications of which have perhaps *not yet sunk in*."

These comments go to the heart of Egyptian foreign policy. The Sadat visit to Jerusalem in 1977, the Camp David accords the following year, and the signature of the treaty brought Egypt peace and the return of Sinai.

But the treaty also created a profound imbalance between Israel and the Arabs to the east of Egypt which Mr Menahem Begin, then prime minister, and Gen Ariel Sharon, his defence minister, moved quickly to exploit. Within weeks of the last Israelis pulling out of Yamit in Sinai in 1982 the Israeli army was moving north into Lebanon to surround Beirut.

"From the beginning Lebanon was a terrible blow," says one diplomat in Cairo. Egypt stayed on the sidelines: for the first time an Arab-Israeli war was fought without Egypt's participation. The Egyptian ambassador was only withdrawn from Tel Aviv after the Chatilla massacre. (Despite promptings by the U.S., he has still not returned.)

The peace treaty remains solid but otherwise relations between Israel and Egypt are frosty. The key question is the future direction of Israeli policy. If there is a return to the aggressive strategy pursued by Mr Begin and Mr Sharon in 1981-82 then the substance of the peace treaty will be in doubt.

It is not surprising that Egypt is hopeful that the Israeli elections will see Labour return to power. If Mr Yitzhak Shamir, the prime minister, is returned then the outlook is bleak. In the long term Egypt cannot simply confine itself to impotent bleats of dissatisfaction as it did when Israel bombed the Iraqi nuclear reactor in 1981 and moved into *Lebanon in 1982*.

Ultimately Egypt would be forced to react not because of any resurgence of pan-Arab ideology but because the real interests of Egypt would be in peril.

Weakness

The other great weakness in Egyptian foreign policy is that the Reagan administration does not give much weight to Egypt's needs or feelings. Washington has clearly come to take Cairo very much for granted and this is hardly surprising. The shift towards a more non-aligned status by President Mubarak has been very tentative and halting. The Soviet ambassador has not yet returned to Cairo although relations with Moscow are a little warmer.

In the short and medium term Egypt is so tightly locked into its American alliance and its treaty with Israel that it has no other policy options. This is clear to both Washington and Jerusalem and as a result Cairo has little leverage on the policies of either country.

A desire not to rock the boat or change the fundamental basis of its foreign policy also constrains Egypt in its steps back into "the Arab fold."

It is true that Mr Yassir Arafat, the leader of the Palestine Liberation Organisation, visited Cairo last December after his eviction from Tripoli; and the Islamic Conference Organisation tentatively invited Egypt *back into its ranks. Relations* between Egypt and Jordan have also much improved.

The tone of relations between Egypt and the other Arab countries is also different from the vituperation of the Sadat years. President Sadat countered Arab ostracisation after Camp David in 1978 by describing the other Arab leaders as "those midgets who want to strangle us in our time of need." Col Muammer Gadaffi was described as a "foolish boy" and a "mental case."

It is difficult to imagine President Mubarak saying anything like this but the overall shape of Egypt's relations with its neighbours and the superpowers is little changed since Sadat. A new moderate bloc of Egypt, Jordan, PLO and Iraq, united in opposition to Syria and Iran, has never got off the ground. All the proposed members of this alliance are weak in one way or another.

Such a coalition of "moderates" would only have any meaning in the region if it had full backing from the U.S. and this has never been likely. On strategic issues the U.S. will line up with Israel. In the Gulf Washington is most firmly linked to Saudi Arabia.

There is also little enthusiasm for foreign adventures among ordinary Egyptians. Having reached a peace treaty with Israel there is no desire for Egypt to become combatants in the Iran-Iraq war or get heavily involved in Chad. Officials express concern over Libya, which is faced by two divisions of the army, but here again there is little likelihood of a major crisis involving Egypt.

Security

If the substance of Egypt's foreign policy was dictated by Sadat its tone is also heavily coloured by his assassination. President Mubarak's Government seems at times to be obsessed by its own security. This desire not to take risks influences decisions on the return of the Soviet ambassador or giving a base to the PLO. Abroad as at home the Government wants to avoid trouble and moves with a caution which precludes any new initiative.

If a coalition dominated by Labour is returned in Israel in *July then the prospects* for Egypt's foreign policy will immediately improve. At the moment it is not comforting for Cairo to note that the present Israeli prime minster, foreign minister and finance minister all voted against the peace treaty and the return of Sinai.

Even the return of Mr Shamir will not necessarily lead to a dramatic deterioration of relations between Israel and Egypt. But the long term impact of an aggressive Israeli policy towards Jordan, Syria and Lebanon will be to erode the basis for the treaty—however strong the Egyptian desire for peace.

P. C.

Economy

Sources for expansion begin to run dry

THE ILLS of the Egyptian economy are often exaggerated and its strength and diversity underestimated. The danger today is not that a crisis looms but that the main sources of growth in the 1970s and early 1980s have reached a plateau and are unlikely to expand much further.

Egypt has benefited at one remove from the oil boom which has transformed economies in the rest of the Middle East. From 1973 onwards Egyptians have gone to the oil states to work and their remittances have been the most important source of foreign exchange. Just how much of their pay flows back to Egypt is unclear as is the number of emigrants but it is at least $3bn and may be as high as $6bn.

Production is rising in Egypt's oil sector: crude, condensates and natural gas had reched about 860,000 barrels a day by this March. In a few years the 1m barrels a day target may be reached but new oil finds are not being made to prevent a decline in output at the end of the decade.

Constraints

The Suez Canal provided another $957m in 1982-83 and tourism $600m but in neither case will there be any sudden leap in revenues. Civilian aid from the U.S. provides another $1bn annually, though private foreign investment has been slow to come outside the oil sector. Better relations with the other Arab states will not unleash a flood of aid money since the cutback in Opec revenues has put constraints on the generosity of Saudi Arabia and other likely donors.

The high growth rates of the 1970s are unlikely to be repeated. The five-year plan, which started in 1982-83, calls for real growth of 8.1 per cent but half this figure would be satisfactory in the present economic climate.

The real danger continues to be that the recent expansion has been confined to certain parts of the economy, so much so that some academics speak of two Egyptian economies.

One is the world of workers in the oil states, Egypt's oil sector and parts of the free market. Here there are high wages and often high productivity.

The second economy, little changed by the 1970s, is Egyptian industry, agriculture and government services.

The traditional economy pays tiny wages but ensures that nobody starves to death. Basic needs are heavily subsidised and a loaf of bread still only costs 1 piastre.

Any attempt to remove the subsidies is likely to be resisted. In 1977 such an effort provoked massive riots in Cairo and Alexandria the memory of which makes the Government extremely nervous when it contemplates tinkering with the subsidy system. Such doubts were reinforced over the last year by riots in Morocco and Tunisia.

The problem for Egypt is that just as the fast-expanding part of the economy is reaching a plateau from which it is unlikely to rise much further, the traditional economy, which developed in the 1950s and 1960s, has not grown fast enough. Food production is growing by only 2 per cent a year. Exports of manufacturing goods actually declined in the 1970s.

Food imports surged during the 1970s and now totals half of consumption or $4bn but the Government cannot allow the mass of consumers to face world prices for such basic commodities as wheat, rice or sugar. The roots of the system are too deep. Oil consumption is also rising fast, making a deep dent in exportable production.

Exaggerated

All these are worrying concerns but it is difficult to judge if they are critical. A recent report on the Egyptian economy concludes: "Egypt is living beyond its means. Capital inflows from foreign assistance and worker's remittances, which may prove transitory, have helped cover the import bill in recent years but seem to be domestic/international financial crisis could result because of fundamental structural difficulties in the Egyptian economy."

This may turn out to be a little exaggerated. First of all the Egyptian Government has little choice but to continue the subsidy system combined with state control over most of the economy and the provision of employment at low wages by the state. Egyptian governments which have tried to change this system have felt the ground begin to give way under them.

The balance of payments may not be so bad as it looks. The biggest source of foreign exchange is workers' remittances. These are normally said to be $3bn but in fact may be much higher because of the better exchange rate on the black market. The drop in growth in the oil states is not, so far, having a great impact on Egyptian employment abroad. Egyptians are often in jobs less vulnerable to swings in the contracting market than Pakistanis or Yemeni workers. There are, for instance, 35,000 Egyptian teachers in Saudi Arabia alone.

Can Egypt increase its manufactured exports? The chances look poor in the present economic climate with so many other countries searching for markets in the Middle East and elsewhere. Foreign investment has remained very limited, apart from oil, and the chances of a significant inflow always exaggerated. Direct private U.S. investment in agriculture and industry is only $61m.

The Government's reaction to these economic problems over the past five years has been to discuss structural reforms but to do very little. This is not necessarily a mistake. It is very doubtful if any administration likely to emerge in Cairo will have the political strength to implement the structural reforms which economists believe are needed and the utility of the reforms they suggest are questionable. Much of what happens to the Egyptian economy is determined by what occurs in Middle East economies as a whole where a key part of the Egyptian labour force is at work. Egypt's economic future will be largely determined by events its rulers cannot control.

Patrick Cockburn

Earnings from the Suez Canal reached $957m in 1982-83. There is unlikely to be any sudden leap in revenues in the near future.

BALANCE OF PAYMENTS
($m)

	1980-81	1981-82	1982-83
Exports	4,050	4,068	3,327
of which petroleum and products	2,922	2,992	2,510
Imports	−8,722	−8,600	−8,300
Balance of trade	−4,672	−4,532	−4,773
Services and unrequited transfers (net)	3,401	2,416	3,040
of which Suez Canal	780	909	957
Tourism	712	611	600
Workers' remittances	2,855	2,032	3,000
Balance on current account	−1,271	−2,116	−1,733

Source: Central Bank of Egypt.

Banking

Changes bring confusion

THE BARRAGE of questions which greeted Mr Aly Negm, the deputy governor of the Central Bank of Egypt (CBE), when he appeared before the American Chamber of Commerce in Egypt last month, was indicative of the confusion and concern among bankers over recent changes in the exchange rates and the banking laws.

While many questions were asked about the introduction of yet another official exchange rate, there was even more curiosity over the troubles at Pyramids Bank and the Jammal Trust Bank, and the changes in the banking laws which they evoked.

Given the tremendous expansion in banking that has taken place since the first foreign bank recommended operations in Egypt in 1975, the country can consider itself fortunate that the crisis over Pyramids and Jammal was the first time that any bank had run into serious trouble.

The four big public sector banks still account for nearly 75 per cent of banking business but, in the wake of liberalisation of the economy in 1974, the banking sector has been revolutionised by the arrival of dozens of foreign banks.

According to Mr Negm, nearly 100 banks operate in Egypt. In addition to the state banks there are joint venture banks between Egyptian and foreign investors, foreign bank branches, offshore banks, new local banks, banks with foreign Arab capital, investment companies and representative offices of many overseas banks.

Guarantees

The banking sector developed rapidly after the 1974 introduction of Law 43 with its tax holidays, capital guarantees and other incentives as well as its legal assurance that there will not be a repeat of the sequestration of the Nasser era. But until recently this had not been matched with adequate central bank controls and penalties for banks which infringed regulations.

This was changed in April when amendments to the banks laws gave the CBE a range of options to impose graduated sanctions on banks breaching CBE regulations.

The troubles which threatened the collapse of the Pyramids Bank and led to the house arrest of Mr Ali Jammal of the Jammal Trust Bank were directly responsible for the new powers granted to the CBE.

The problems emerged when an audit of the books showed that Pyramids, the Faisal Islamic Bank and the Egypt Arab African Bank had extended loans to a well-known money exchanger and trader who lost the money while speculating in French francs.

Pyramids sought to cover some $10m of this by cheques issued by the Jammal Trust, which also gave post-dated cheques to the other two lenders. Jammal later refused to honour the cheques on the grounds that they were forgeries.

Realising how limited were its powers to control the banks, the CBE sought and obtained changes to the banking laws which enable it to progressively penalise banks which infringe the regulations, ranging from a warning through to suspension of the licence. In addition, from now on, appointments to the board of directors of the banks must be approved by the CBE.

Another step taken to prevent a repetition of the situation in which Pyramids faced collapse because of the default of one customer, is the new regulation that loans to any one customer must not exceed 25 per cent of the bank's capital and reserve.

While bankers have welcomed most of the changes, the 25 per cent loan ceiling has caused additional confusion, especially among the foreign banks who have been seeking clarification of just what is meant by capital and reserves: does it apply to the capital they brought into Egypt, which may be quite small, or capital and reserves at head office?

The foreign banks have made vast profits in Egypt in recent years, but these have been less handsome in the last year or so, in line with the slowdown in the economy. This has led to a hotting up of the competition between the banks which could lead to the introduction of new services, such as cash-dispensers, something which is currently being studied by two of the big public sector banks, Misrand the National Bank of Egypt.

The decision to introduce another exchange rate, E£1.12 to the U.S. dollar, in addition to *the official E£0.83 to the dollar* rate, is part of the attempt by the Government to attract into the banking system more of the funds traditionally traded in the black market.

Because there are already a series of other exchange rates for different transactions, this has added a new element of confusion to the multiple exchange rate picture. Mr Negm told his Chamber of Commerce listeners: "You think there are five exchange rates, well actually there are more." After a suitable pause he added with a smile: "But I won't tell you how many."

With the black market rate being E£1.25 to the dollar, it is not certain by any means that the new exchange rate will succeed in diverting more than a marginal amount of the estimated U.S. $3bn in remittance money flowing through the black market annually into the banking system.

Mr Negm told a questioner that while he personally would prefer to float the pound, or have a more realistic rate. "We have to go towards this very slowly, political and social stability is more important than floating which could lead to a repeat of what happened in 1977 (when riots broke out after food subsidies were cut)."

The new powers granted to the CBE, plus the fact that only one new licence has been granted since 1981, should mean that the period of consolidation which has now begun will ensure stable and controlled growth of the banking sector.

David Lennon

Energy

Domestic sales threaten oil export earnings

THE GROWTH in domestic oil consumption is threatening to cut into Egypt's U.S.$ 2.2bn-U.S.$ 2.5bn annual earnings from oil exports, so the news that 1984 promises to be a near record year for new exploration agreements is most welcome in Cairo.

Massive government subsidies plus a burgeoning population means that consumption is rising 12-15 per cent annually, while production is only expected to grow by 7 per cent annually.

This means that Egypt could face a serious erosion of the earning power of a resource which ranks as the country's number one provider of foreign currency.

But officials believe that there are signs of improvement. The primary hope lies in increased production as a result of new discoveries, prospects for which are improved by the expected signing this year of some 13 new exploration agreements. The figure is triple that of last year and the value of the investment is also expected to increase substantially. Mr Ibrahim Radwan, the Egyptian General Petroleum Corporation's general manager for agreements, says the recent bid by Marathon for the 1,400 km West Gemsa field in the Gulf of Suez included the highest signature bonus of any agreement since 1974.

Since the beginning of the century 39 oil and gas fields have been found in Egypt. Total proven reserves are about 4.8bn barrels of oil, 3.5 trillion cu ft of gas and another 70m barrels condensate, according to EGPC. Others believe reserves are higher.

Current production of crude oil is variously estimated at between 776,000 barrels per day and 820,000 bpd, depending on who you talk to.

Internal demand

About one-third of production is exported, with Israel and the U.S. among the largest customers.

One way in which Egypt hopes to prevent domestic demand eating into the amount of oil available for export is to encourage greater use of the natural gas by both industry and domestic consumers.

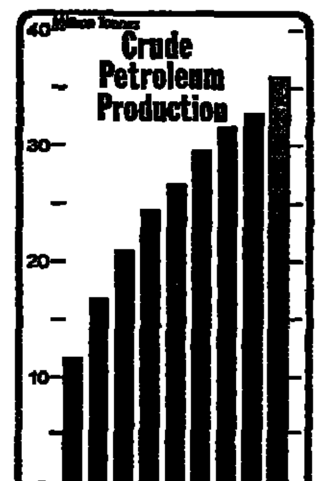
Old and often inefficient oil fired electric power stations are being refitted for natural gas to release additional crude for export. With hopes of trebling electric output by the turn of the century, Egypt has plans to build additional coal and gas fired thermal capacity.

Highest on the agenda is the plan to build eight nuclear power stations by the end of the century.

Hydropower provides about 6 per cent of the country's primary energy supply, but the major part of the Nile's potential has been harnessed. Some 80 per cent comes from the Aswan and high dams and, while there is scope for some additional output from the Nile, any significant growth may depend on the economically dubious Qattara depression scheme.

With the re-opening two months ago of one of the plants at Suez which had been damaged in the fighting with Israel, Egypt now has seven oil refineries with installed capacity estimated at just above 300,000 bpd. Two new refineries which should boost capacity to 400,000 bpd are planned for Assiout and Suez.

But it is wasteful domestic consumption which remains the kernel of the problem facing Egypt's planners. Because of massive Government subsidies the average Egyptian only pays about 10 to 15 per cent of the world price for his fossil fuel and therefore there is little incentive to conserve energy.



This potential threat to future surpluses must be tackled, but with the memory of the riots in 1977, following the reduction of subsidies, still clear in the minds of Egypt's leaders, it is hard to see any dramatic change in the near future.

In the meantime, the country will have to continue to place its hopes for export expansion on new finds in the fertile waters of the Suez Canal and the barren sands of the western desert.

David Lennon

Industrial organisation

Public sector reshuffled again

"WHEN IN DOUBT reshuffle, from its inception the public sector underwent periodic reorganisations which came across as Quixotic attempts to patch over more profound structural problems in protecting monopoly position, overstaffing, and inadequate management."

That judgment of Professor John Waterbury, author of the definitive study of the political economy of Egypt under Nasser and Sadat, echoes once more.

At the end of last year the public sector was reorganised yet again. Within the Ministry of Industry six new general *organisations* were set up. Each groups about 20 companies within one sector.

The declared aim of the new organisations is to co-ordinate strategy by agreeing on each company's budget and yearly programme but not to interfere in the day to day running of its affairs.

The new Middle East Glass Manufacturing Company factory in Nasser City, Cairo. George Wimpey, of the UK, was the contractor.

Critics, however, say the scheme introduces a new layer of bureaucracy that will impede rather than improve decision-making, that it represents a reversion to the old system and that it re-inforces cartels in sub-sectors.

The charge is rejected by Dr Adel Gazarin, head of the engineering companies organisation and formerly head of the state-owned Al Nasr automotive company (NASCO).

"These organisations were formed to fill a gap. They were originally set up in 1961, but abolished in 1975 because of conflicts between them. We then found that for 117 companies to report directly to the minister created too much of a burden, so we went back to the old system, but with a new format."

Specifically, the organisations are set up like holding companies, as they had been after the nationalisations of foreign assets in 1957, but before the widespread socialist nationalisations of industrial companies in 1961.

Dr Gazarin argues that by co-ordinating between the companies his organisation ensures, for example, that a company does not need a letter of guarantee to open a letter of credit.

Dr Garazin says that if this leads to monopolistic practices, that is the price of greater efficiency and of increasing the base of production. Another of the new chairmen sees the advantage of the new organisations as breaking the grip of the General Organisation of Industralisation (GOFI) the ministry's supervisory body.

Much of the success of the reorganisation will depend, of course, on the personalities of new chairmen. All have reputations as successful business managers rather than bureaucrats. In their first year they requested E£55m as an allocation from the Minister of Finance to start operations.

But one former Minister of Industry sees the new system as mere tinkering when what the public sector needs is overhaul. The major obstacles to greater productivity of the public sector are the distorted pricing of both inputs and outputs through government control over pricing, and the undercapitalisation of the public sector companies.

At the same time as the setting up of the general organisations, public sector managers were given greater autonomy to hire and fire, and to pay incentives to workers and managers. But the public sector company law, as passed by the people's assembly, failed to free public sector managers as had been intended in earlier drafts. Even these modest proposals provoked an outcry.

The public sector remains the backbone of Egyptian industry, absorbing three-quarters of all investment and accounting for about two-thirds of production. Last year's production was E£10.5bn, equivalent to 47 per cent of production in the commodities sector.

The 1982-83-1986-7 five-year social and economic development plan assigns industry a key role to stimulate economic growth. This is to be achieved by raising capital investment, correcting the price distortions and improving the management framework.

Raising capital for investment is merely a question of finding the required local and foreign currency. Under the plan, total investment of E£8.6bn is allocated to the national industrial sector, of which E£6.8bn will go to the public sector, including E£3.8bn to the public sector companies affiliated to the Ministry of Industry and Mineral Wealth.

The Minister of Industry, Dr Al Gharouri maintains that he is 100 per cent on target with his investments and that in the first year E£601m were duly invested.

As a result industrial growth was an impressive 13 per cent against 9 per cent as planned.

Prices problem

To sustain that rate of growth, however, Egypt will have to address the far more politically sensitive problem of prices.

Ministers and managers alike all desire reforms, but are wary of taking any action until the consequences are fully explored.

Companies have effected some price rises, disguised by the introduction of new lines or packaging.

Public sector companies can also form new companies as joint ventures with public sector banks under the investment laws. This allows them to operate private ventures with greater freedom to charge real prices for products and pay managers higher salaries.

Until now the social goals of the public sector have been paramount.

Increasingly, the role of industry will be more economic. Yet more jobs will have to be found as external migration of workers to the Gulf dries up and internal migration from the countryside to the towns continues.

President Mubarak's "Buy Egyptian" campaign is intended to spawn more import substitute industries. In addition, the Ministry of Economy and Foreign Trade has taken a number of measures to remove the disincentives to exporters. These include allowing exporters to keep back their earnings in hard currency rather than depositing them in a bank at the unfavourable official rate. Other export controls have been abolished and later in the year a new $100m export bank will start operations.

With manufactured exports this year at only E£500m, compared with receipts from oil exports of $2.2bn, an increase of even 12 per cent in a year in exports of manufactured goods will only have a modest impact on Egypt's balance of trade.

Charles Richards

EGYPT 6

Tourists and hawkers at the pyramids at Gaza. Cultural tourism provides a vital income for Egypt but its potential for expansion is limited

Tourism

Widening the appeal for the 'upmarket' traveller

SINCE Thomas Cook arranged Kaiser Wilhelm's tour up the Nile a hundred years ago, travellers, as well heeled though nowadays worse shod, have beaten the same trail up the Valley of the Kings.

Unseen by most western travellers are the tourists from other Arab states, whose presence is clearly visible in the annual statistics. They are both longer staying and freer spending than visitors from the so-called rich western countries.

The two sets of tourists arrive at different times. The western culture seekers come over the winter months to escape their own miserable climates before the hot summer Egyptian sun makes tomb sightseeing intolerable. Arab tourists come in the summer for lower temperature and humidity, and for the cosmopolitan yet Arab speaking environment where attitudes towards women and liquor are relatively free.

The Ministry of Tourism in co-ordination with tourist agencies and the tourist industry is trying to exploit other potential markets by diversifying the range of facilities on offer.

Cultural tourism is restricted by logistics. Only a few dozen people can penetrate into Tutankhamen's burial chamber at any one time.

Egypt is trying to encourage more recreational tourism to encourage tourists to stay longer and therefore spend more. Officials are not trying to challenge the cheap Mediterranean sunspots such as Spain and Greece. They realise they cannot compete on price or accessibility. They are trying to appeal more to the up-market traveller who searches for winter sun but who may otherwise go to, say, Kenya or the Bahamas.

Tourist villages are being built in the traditional areas of the Pyramids of Giza, Luxor, and Aswan, and also on the coasts.

Target

Holiday bungalows at Ein Sukhna, a traditional Egyptian holiday resort before the 1967 war with Israel are to reopen. A former oil colony on the Gulf of Suez, at Ein Sudr, has been converted to 250 villas as holiday lets, and 60 have already opened. Other hotels and tourist villages are planned for Sinai and the Red Sea.

The initial target for these developments is initially Egyptian and foreigners living in Egypt. In the second stage Arab tourists will be canvassed and then finally through better marketing the international clientele.

Perhaps the greatest potential for expansion is at the Red Sea and Sinai which offer year-long sun, sea and watersports, and unparalleled underwater coral reefs.

There are constraints, as the Minister of Tourism, Tewfik Abdu Ismail recognises. "Sinai was not 'discovered' until the Israelis occupied it. We need first to reshape the image of the Sinai by joining it in people's perceptions to the rest of Egypt.

"There is another thing. The existing sites needed a lot of maintenance. All the air conditioners had been made in Israel and we had to buy spare parts from Israel and replace some of them.

"But already the southern Sinai resorts of Numelba, Dahab and Sharm el Sheikh are becoming better known to Egyptian holiday makers. Occupancy rates have risen to over 65 per cent on average."

The minister says that because of the perceptual block and lack of maintenance it is too early to expect Sinai to become an international resort centre for divers as it was under the Israelis, even though Sharm el Sheikh Airport can receive international flights.

The shortage of hotel space in both Cairo and Luxor and heavy demand for luxury once-in-a-lifetime Nile cruises in the late 70s and early 80s led to a massive building programme that has now saturated the market. While reducing occupancy rates in hotels down to 50 to 60 per cent in off season, this has introduced an element of competition that can only benefit the consumer.

Egypt is also moving to attract more Arab tourists back to Cairo through the promotion of cheaper health facilities—including natural cures at the Red Sea for rheumatism and psoriasis—and packaged stays at Cairo hospitals at lower prices than in Europe.

Traditionally Arabs take a furnished flat in Cairo for several weeks. Now the Marriot Hotel offers service flats within the hotel, and a Kuwait real estate company is shortly to do the same.

Officially recorded tourists receipts fell to $600m in 1982-83, attributed to the world recession and the unstable political situation in the region. Registered tourists are now increasing although the number of tourist nights is declining. A large measure of this is due to businessmen coming in on tourist visas.

Total tourist spending is estimated to be at least twice the officially recorded figure, and is a principal source of foreign exchange. Travellers prefer, when they can, to change their money on the black market at the rate of one dollar to E£1.22 as opposed to the official rate of one dollar to E£0.83.

The introduction of yet another rate of exchange for certain tourist transactions (one dollar for E£1.12) is intended to encourage more people to change their money through the legal banking channels.

Tourists still have to change their money at the official rate for four transactions: buying airtickets, changing $150 on entry at the airport, obtaining a residence visa and settling hotel bills. Ministers are hoping that a single unified incentive rate for all tourist transactions will be introduced soon.

Charles Richards

PROFILE: DIYARB NEGM INVESTMENT COMPANY

Rich rewards for loyal villagers

SIXTY YEARS ago Diyarb Negm was a typical backward village in the eastern Nile delta province of Shariqya. Further east on the edge of the desert, settled Arabs and old landowning families reared the famous Egyptian horses, some of the finest pure-bred Arab horses in the world, as they do to this day. Nothing so distinguished Diyarb Negm as one much venerated man, Saeed al Saeed. As a civil engineer he worked for the Government, building irrigation canals.

But as the only man of education in the village he devoted his life to lifting it out of its primitive backwardness, earning for himself the sobriquet of "godfather" of Diyarb Negm.

The old man died in 1969 but he left behind him six sons and two daughters. The eldest son went into the army, rose to the rank of general, then left to enter private business in the chemical trade. Others became accountants and businessmen and one a lecturer in engineering at Cairo University.

But the most celebrated, whose name the people of Diyarb Negm now speak with affection and pride, went, with a doctorate from Leeds University under his arm, to become Professor of Economics at Cairo University from where he was plucked by President Mubarak to serve as Minister of Economy and Foreign Trade.

His more recent grappling with Egypt's complex exchange rate system has prompted one black market currency dealer, who used to attend his lectures at Cairo University, to scoff that the minister's theories belonged to the classroom not the market place.

Production

In the early days of his ministry, Dr Mustapha Al Saeed used to subject visitors to an "O-level lecture" on the need to re-direct spending into productive investment. He was particularly keen to tap the flow of $3bn to $5bn of savings remitted each year by Egyptians working abroad. In this he has recently gained real field experience. For in his home village he has over the past few years created a highly successful model of investment that he would like extended throughout the country.

When he was first elected to Parliament five years ago he found many professional people from his village returning from the oil-rich Gulf state where they had been working with sizeable savings but nowhere to put them.

Reluctant to invest in government bonds, they speculated in property or indulged in lavish consumer spending. One group, however, showing the remarkable strength of ties that bind an Egyptian to his balad or native village, asked their local MP how their savings might be better used. The result is the Diyarb Negm Investment Company, that operates out of a small second floor flat in the main square.

There were two main principles of membership. A maximum shareholding of E£10,000, was imposed, in order to attract small investors, and membership limited to people from Diyarb Negm. The main competition would be from the banks who were offering 13 per cent interest on savings deposits.

The holding company with E£500,000 capital was established two years ago under Egypt's Law 43 investment law which gives generous tax holidays and customs benefits for investment projects.

Confidence

The chairman of the board is the Minister's eldest brother, the retired General Ibrahim. Fellow board members include the lawyer head of the village council, a banker and a businessman. But all recognise the driving force is Dr Mustapha.

So far, there are 183 professional people—businessmen, lawyers, teachers, accountants — have expressed their confidence in the venture by taking shares in the company. After careful study of several projects they set up a contracting company, in partnership with the Suez Canal Authority, the Sharqiya Governorate, and the multi-millionaire businessman Osman Ahmed Osman with E£1m capital.

A chicken farm in which Diyarb Negm Investment Company has a 20 per cent stake has built 20 out of a projected 50 broiler houses to breed 1½m chickens a year.

A feed mill producing 10 tonnes an hour has been completed as well as a slaughtering house and rendering plant from Systemate of Holland bought with a five-year loan from the Industrial Development Bank, at 12 per cent interest and at the favourable official rate of $1 equals E£0.48.

A plastics plant to produce bags for the feed mill is also starting up with E£500,000 capital, and approval has been granted by the investment authority for a sportswear company. Local handicrafts are encouraged. One company is hoping to export hand-woven carpets to England.

If Saeed Al Saeed was the godfather of Diayrb Negm, Mustapha Al Saeed is also looking after its sons. The poultry farms provide 250 jobs and the sportswear company up to 2,000.

The investors are happy too. In the first two years of operation, profits averaged 40 per cent. Last year's profits were 42½ per cent on turnover of E£4m.

As one investor said: "When President Sadat liberalised the economy in the early 1970s the hope was that massive Arab investment would lead Egypt's development. We have shown in Diyarb Negm how real wealth can be generated from domestic resources."

C. R.

TO THE untrained eye, Egyptian agriculture is as timeless as the Nile River on which it depends for its existence. But it is nothing of the sort, according to experts both local and foreign.

Travelling through the Nile Delta, or up river, farmers can be seen tending their fields with the aid of wives, children and plodding water buffaloes, like a picture from the Pharaonic age. But beneath this ageless appearance, attempts are under way to create a revolution which may prove to be as dramatic as the land reforms of the 1950s and the building of the Aswan Dam.

The revolution is being brought on by the introduction of new crops, high yielding strains, mechanisation and fertilisers. The fuel for the revolution is being supplied by massive injections of government assistance which totals U.S.$4.84bn for the current five-year plan, which runs until 1987.

The lush lands of the fertile Nile Valley used to feed all of Egypt, with plenty of produce to spare for export. But an exploding population, the loss of agricultural land to urbanisation, and individual overconsumption have meant that since 1974 Egypt has had to start importing foods. Last year it imported half of the food consumed at a cost of close to $4bn.

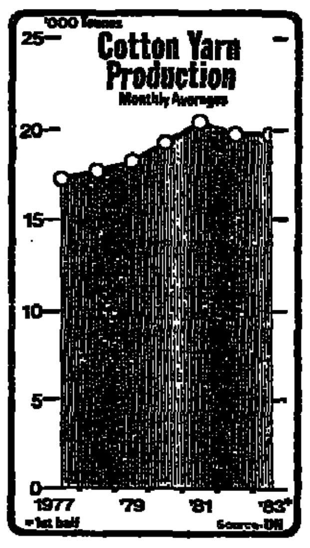
The country imports 6m tonnes of wheat flour a year, 75 per cent of wheat requirements, and this alone cost over $1bn last year. Other major import items are sugar, vegetable oil, lentils, corn, red meat and poultry.

Coupled with the mounting food imports bill is the sharp decline in agricultural exports. Cotton sales abroad, which used to top 700,000 tonnes a year, are down to about 70,000 tonnes. Rice exports, which reached 153,000 tonnes in 1977, amounted to only 30,000 tonnes last year. This latter figure is actually looked upon favourably because it was an increase over the 25,000 tonnes exported the previous year.

Cultivated land consists of 5.8m feddans, only 3 per cent of Egypt's total land area. Over the last three decades some 700,000 feddans of arable land were lost to the construction of housing and industries.

To counter this the Government reclaimed 900,000 feddans, but only half of this land is actually in production. Under the current five-year plan, the aim is to reclaim another 636,000 feddans, and in the first two years some 130,000 feddans have already been converted, according to Dr Yusuf Wali, the Minister of Agriculture.

Laying irrigation pipes at Tanta, on the Nile Delta. Planners are placing much of their hopes for agricultural improvement in making better use of existing resources



Agriculture

The quiet revolution along the Nile

However, the problem of under-utilisation of the new land remains as before—the minister admits that not all of the reclaimed land is being farmed. Some of the purchasers prefer to hold on to the land in expectation of good profits from sales when land values rise.

At the same time, there is no indication that the loss of arable land to urbanisation will be stopped. Indeed, as the population continues to expand at a rate of 1m every 10 months, and the drift from the land to the cities continues, this process may well accelerate.

Planners are placing much of their hopes for agricultural improvement in vertical expansion, that is the improvement of yields through the introduction of new strains, better drainage of lands, fertilisers, and stepped up mechanisation of farming methods.

New varieties of rice and maize which were successfully introduced last year in pilot projects will be planted this year in much larger areas. The new variety of rice will be planted on 250,000 feddans, and the higher yielding maize will be grown on some 1m feddans.

Wheat production did not rise last year, because of a decline in the acreage planted. However, Dr Wali says that a new strain will be introduced this year which should increase production by some 80 per cent.

While the country should be self-sufficient in maize within five years, the minister says that Egypt will remain dependent on imports of wheat for "a long, long time." This does not particularly disturb him, as his concept of cereal self sufficiency is not crop by crop, but for the whole group of cereals.

The policy is to produce high revenue cash crops for export while importing low cost crops. In Dr Wali's vision, Egypt will in future be exporting enough rice and other crops to more than cover the cost of imported wheat.

To encourage increased use of machinery the Government plans to set up 150 mechanisation centres where farmers can hire equipment as needed as well as receive tuition in the use of tractors, planters and harvesters. By the end of June, 21 such stations will have been established, according to the minister.

Some overseas aid officials are not too optimistic about these large mechanisation centres. They fear much of the equipment will lie unused. An alternative being developed by the U.S. aid programme are service centres where the farmers can bring their own equipment for servicing and repair.

The Government hopes all these changes can increase yields by 40 to 80 per cent. But for Egypt to reduce substantially its farm import bill, this improvement will have to be accompanied by a successful birth control programme and a reduction in the consumption levels of the average Egyptian.

Egypt may be a relatively poor country, with one of the lowest per capita incomes, but there are few signs of the starvation found in other parts of the Third World. In fact, Egypt has one of the highest per capita calory intakes in the world.

The problem of too many people eating too much food from too little farm land is now recognised by Egypt's planners. But it is too early to tell if the solutions they have proposed will enable the country to become a net food exporter again.

David Lennon

Population

Growth slows but problems worsen

EGYPTIANS have a slang word for a million pounds: an "arneb" or rabbit. After you make your first "arneb" it breeds rapidly. In population it is much the same. In Egypt, the gestation period for an extra million mouths to feed is now just under nine months.

The relationship between prosperity and development on the one hand, and fertility on the other, albeit in inverse proportions, dominates official thinking on population issues.

The scale of the problem is enormous. At 47m the population is growing at 1.2m a year, putting pressure on land and services in what is already one of the most densely populated communities in the world.

The problem, Egyptian officials say however, is not one of fertility alone. The deputy chairman of the Population and Family Planning Board, Dr Mustapha Samaa, says: "Even if we limit the size of the family now to two children, the population will still rise to 60m by the turn of the century."

He identifies three dimensions. The growth rate, the maldistribution of existing population, and the unhealthy migration of rural populations to the towns.

Growth rates have, indeed, fallen over the past few years, from 2.9 per cent to 2.8 per cent or 2.7 per cent. In 1966 the birthrate was 43 per 1,000, against deathrate of 21 per 1,000. Birthrates fell to 34 per thousand after the 1967 Arab-Israel war, because of the psychological impact of the defeat, the mobilisation of the war zones and the postponement of marriages.

After the 1973 war, Egypt went through a post war baby boom, encouraged by the improved economic situation, with birthrates rising to 39 or 40 per thousand. The slight reduction now in birthrates reflects, according to family planning experts, a stabilisation to the natural level of increase after a bulge in the mid seventies.

Population is concentrated along the narrow ribbon of the fertile Nile valley and the delta, with 96 per cent of the population living on only 4 per cent of the available land space.

The flow of villagers to towns is still in spate. At present, approximately 47 per cent of the population lives in cities and towns. By the turn of the century over 55 per cent will be urban, and one in three will live in either Cairo or Alexandria.

Limit

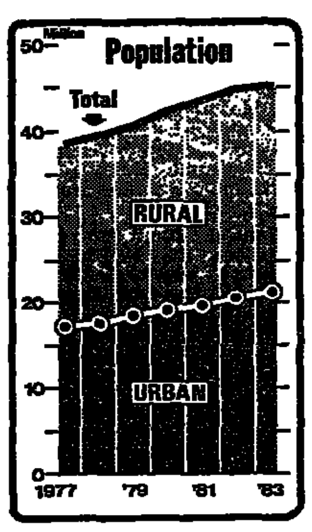
The Egyptian Government is caught between a rock and a hard place. If it fails to limit the increase, the population will rise to 70m by the turn of the century, with a cumulative effect thereafter. Even if all its programmes achieve 100 per cent success, and fertility rates are substantially reduced, it will still have to feed, house and care for 60m by the year 2000.

Past governments have recognised that rapid population growth slows economic and social development but have skirted the political minefield of social cultural and religious sensitivities to family planning.

They have, instead, argued that the example of other countries has shown that family planning campaigns are only marginally successful and that the greatest disincentive to large families is property and development. As one exasperated Western expert says, it is putting the cart before the horse.

The so-called socio-economic approach to fertility reduction, adopted in 1973, identified factors that influenced fertility which had to be grasped simultaneously. These were the social and economic standard of the family, education, the status of women (stressing the need for participation of women in the labour force outside agriculture and the home), mechanisation of agriculture, industrialisation (with emphasis on agro-industries), infant mortality (with improvement on nutrition and sanitation as basic elements), social security, information and communication, and family planning services.

This was later elaborated by stressing the need to capitalise on the trend toward decentralisation through a transfer of responsibility for the implementation of population and family planning policy to the local administration and community.



President Mubarak has taken a much more direct and forthright line. On taking office he grasped the horns of the problems, saying that population growth was the most serious problem facing Egypt. At the national conference on population on March 29, 1984, he announced the formation of a new national council of population, chaired by himself.

Saying that raising the standard of living alone could not serve as a tool to reduce the rate of population growth, he called for a balance to be struck between the provisions of family planning services and implementing the development programme.

The problems will become more acute in the next five to ten years. At present farms are slowly mechanising to overcome the shortage of labour. The more adventurous agricultural labourers seek higher wages in the Gulf or migrate to the cities. Economists reckon between one, and one and a half million Egyptians are now working abroad — rather lower than official estimates — and up to three to four million are temporarily living abroad if dependants are included.

The continued migration to the cities strains the services and infrastructure such as water, sewage, electricity, roads, schools and medical care. At the same time it acts as a brake on population growth. Average family size in the cities in Cairo and Alexandria, which together constitute one quarter of the population, is 3 compared to 5.5 in Upper Egypt and Lower Egypt.

A major disencentive to large families, particularly in the middle class is the conscription law. Only first sons are excused military service and many middle class couples stop after their first son.

To absorb the increase in population, and to relieve the strain on the main cities, the Government's policy until now has been to build new free-standing cities in the desert and to populate the wastes of Sinai, recovered following the final Israeli withdrawal in 1982.

It is a policy that has been challenged by a Usaid sponsored report as highly wasteful of limited resources. Even if the desert cities are built and populated they are designed to absorb only 2m of population overspill by the year 2000 and will have little impact on the national population or significantly reduce pressure on Cairo.

Satellite towns

The 1982 report by the National Urban Policy Study (Nups) recommends that satellite towns be built in the Alexandria and Cairo regions, on the edge rather than in the middle of the desert.

These regions together with the Suez Canal zones contain natural markets, feeder industries and already established infrastructure. Jobs could therefore be developed and provided more cheaply than in completely new cities.

As agriculture becomes more mechanised to raise productivity and crop yields, there will be still fewer jobs on the land, too. The future, Egyptian and foreign economists concede, lies in the development of labour intensive industries.

According to a World Bank report on trade and investment strategy, Egypt's comparative advantage lies in agri-business and white goods such as refrigerators. Already a number of new ventures set up bear this out. A jam factory that buys strawberries grown in Ismailia is exporting heavily to Saudi Arabia. Managed by French experts, with private Egyptian capital it employs 1,500 people, many of them women.

It is, thus, also fulfilling many of the requirements of the old former socio-economic approach to fertibility control which laid emphasis on agricultural mechanisation, industrialisation, and improving the status of women. The question, however, is whether developments of this sort can be enough?

Charles Richards

Women

Status in slow transition

ON A SULTRY May evening in Helwan, Cairo's industrial satellite township where a baleful pall of smoke hangs permanently over blocks of workers' flats, a woman stood to address an audience of some 3,000 workers and farmers.

Apart from a small group of young women who placed themselves alongside the platform, the audience was male. The party cheerleaders shouted slogans—"long live the battle of the working class." "Our party's for the people, not the robbers." They too were all men.

And yet when Amina Shafik, woman journalist, trade unionist and candidate for the left-wing progressive unionists, rose to speak, she received an attentive and respectful hearing. "If you're serious, the men accept you," she explained later. But she admitted the lack of female participation in political activities at grassroots level is a problem.

The status of women in Egypt is in transition. The most frequently cited evidence for this is the increasing number of Moslem women, particularly young girls and students, who are donning the hegab, or veil—the Egyptian version of female Islamic head-dress which, unlike the black Iranian chador, can be very colourful.

The hegab covers the hair but not the face, although a few women have adopted a complete version of the veil, and wear gloves and heavy shoes so that no areas of flesh are bare.

Walk down any street in Cairo's six kilometre-square central business district and you'll see women—some veiled, some in western dress—going to work in government offices or banks or shops. Women are in medicine, in engineering, in teaching, in construction. There is a woman in the Cabinet, there are successful women entrepreneurs in the private sector and women head departments in the universities. There are 31 reserved seats for women in the Egyptian Parliament, the people's assembly.

And yet Egypt's personal status laws—derived in the case of the majority Moslem community from *sharia*, or religious precepts—are deeply conservative, placing women from all walks of life at a grave disadvantage in matters of marriage, divorce and the custody of children.

In the villages, where the bulk of Egypt's 47m people live, the dependent status of women within the family remains virtually untouched by social changes affecting some of their urban sisters. Equally, the importance attached to a woman's sexual morality (but not a man's) encourages practices such as clitoredectomy and permits the physical punishment of women thought to have transgressed the strict social codes.

University pressures

In most societies it is generally assumed that the spread of higher education will itself "liberate" women, and often that "liberation" means westernisation.

In Egypt, university enrolment has more than quadrupled since the 1960s as a result of the late President Nasser's decision to abolish fees for tertiary education and to guarantee graduates a job in government service. In the 1960s a girl attending an Egyptian university might have been superficially indistinguishable from her Oxford or Sorbonne counterpart, although the sexual revolution in the West had little impact on a society in which a girl is still expected to be a virgin when she marries.

But in the 1970s pressures within the universities, as well as within Egyptian society as a whole, to stem what was perceived to be the secularist tide, had a profound impact on female behaviour on the campus. Although President Sadat clamped down on Islamic militancy and male students were for example forbidden to wear the *galabeya* (the traditional Egyptian costume) girls in the university could hardly be prevented from adopting a modest style of dress.

The long-term significance of this trend is far from clear, either to foreigners studying the phenomenon or to Egyptians themselves. Some argue that there is no moral obligation in Islam on women to wear a veil.

Dr Samia El Saati, Professor of Sociology at Ain Shams University in Cairo, teaches both in the 8,000-strong women's faculty and in the co-educational department. "Islam is not the gloomy conservative picture you paint in the West. In the days of the Prophet, women took part in law and commerce. The pressures on women to veil themselves are not Islamic, they're Egyptian."

In any case, the motivations of women who adopt the veil may not be solely religious: they could include economic necessity the prohibitive cost of Western-style clothing and the avoidance of sexual harrassment.

Tim Sullivan, of the American University of Cairo, is writing a book about Egyptian women who are successful in business and in politics. From his researches he concludes: "You cannot make a political judgment about a woman because she's veiled. You can't assume that she disappears, that she no longer exists."

Many university teachers report that their brightest students are veiled women, and yet some religious girls who have qualified as doctors have reportedly refused to practice medicine on the grounds that they would have to deal with male bodies.

Mrs Jihan Sadat: family law reforms introduced by her late husband at her behest are now themselves under review.

Sullivan points out that employment patterns could change if a significant number of professionally qualified women decide to opt out of the job market. He also notes that successful Egyptian women have to work twice as hard as men to prove themselves both in business and in politics.

Even if she is in a reserved seat "a woman in parliament really has to earn the right to be there; she must be a first-class speaker and have earned her credentials by years of work at her job outside politics."

Sullivan believes that without the 31 reserved seats for women in Parliament (around 7 per cent of the total)—an arrangement that extends to all elected assembles down to village level—there would be very *few* women in politics.

The position has arguably worsened under recent changes in Egypt's electoral law which prohibits independents from standing for Parliament.

And an able and experienced politician like Amina Shafik, whose personal popularity might well have won her a parliamentary seat in a straight fight, became a casualty of the country's system of proportional representation under which a party has to win 8 per cent of the total vote cast nationally in order to be represented in Parliament. Shafik's Progressive Unionists failed to meet the target.

At all social levels, whether she works or not, marriage is regarded as a woman's primary obligation and the care of her family is expected to be her main priority.

Even some minor reforms relating to family law introduced by the late President Sadat at the behest of his wife, Jihan, came under attack by religious leaders on the grounds that they conflicted with strict *Sharia* law.

Law review

"Jihan's laws" provided for the right of a woman to be told officially by her husband that he had divorced her, for a woman to be able to ask for a divorce if her husband took a second wife, for the provision of alimony for deserted wives and some adjustments in favour of mothers in dispute over custody of children. The laws are under review in Egypt's higher constitutional court.

Not all current pressures on Egyptian women stem from religious teachings. Dr Samia El Saati, who has been studying changing attitudes to women in both urban and rural areas, notes that while men still demand traditional moral behaviour from their wives, there is an increasing awareness of the financial contribution women can make to the family budget.

Paradoxically, therefore, while women are experiencing religious restraints on their full participation in jobs and professions, economic pressures are tending to push them precisely in the opposite direction.

Kathryn Davies

The Press

Mobilising the masses behind the regime

ON August 29, 1798, during the French invasion of Egypt Le Courrier de l'Egypte, the first newspaper ever published in the Nile Valley, appeared in Cairo. It was a pro-government publication under the personal control of General Bonaparte, commander in chief of the French occupation army.

Nearly two centuries later most of the Egyptian Press is still pretty much like Le Courrier in spite of the different phases of its development, from colonial press to what is called today National Press.

Mobilisation Press would be a more accurate definition, ever since the sixties when it became the property of the Arab Socialist Union, the ruling party. Since then it has been the main tool (especially the daily papers) for mobilising the support of the masses for the political programmes of the government.

The four daily newspapers Al Ahram, Al Akhbar, Al Gumhuriyah and Il Misa with a circulation over 1.5m are the best mass media support of the regime (or at least, what the government thinks). They back up its policy for "National Welfare" outlining "the efforts of the government for the improvement of daily life" on the domestic level. They never criticise the leading personalities of the government or the National Democratic Party (NDP). The best example illustrating this is the position of the press during the May 1984 parliamentary campaign.

During a whole month the daily and weekly national newspapers hammered their readers with "the achievements of the government" in the various fields related to daily life of people, like the inauguration of new electricity power plants, sewage stations, the improvement of the telephone network, new hyper-specialised hospital and flyovers.

They reported the smallest electoral meeting of the NDP while completely ignoring those of the opposition parties. Their columnists sharpened their attacks against the Nationalist Progressist Unionist Party, "this bunch of Marxists atheistic hypocrites," but the main target of their arrows was the NeoWAFD. They wrote reams on their version of the "corruption prevailing during the 1940s when the WAFD was poisoning politics" and "the involvement of the party alongside the British colonialists during the Second World War," and how "it brought the country to the edge of a bloody civil war." They even opened their columns to denounce "the party's collusion with the Moslem Brotherhood" and "the relinquishment of the secular tradition."

Two days before the elections, Al Ahram even published "top secret" reports sent by the U.S. Embassy in Cairo to Washington in 1951-52 exposing Fuad Sarrag el Din, the president of the Neo-WAFD and Minister of Interior at that time, as a schemer ready to do anything to satisfy his hunger for power, even to betray Mustafa el Nahas Pasha, his superior and leader of the WAFD.

Nevertheless, the national newspapers are not simply government propaganda sheets even if, with the absence of significant variety on important political issues and the similarity of their news stories and editorials, they are not really "His Master's Voice."

The newspapers carry critical stories and editorials about the laxity of public services, for instance electricity failures and telephone problems, the inefficiency of public sector administration and the corruption in official milieu. But the criticism is aimed at the lower levels of the bureaucracy and the leadership is not held responsible.

Nevertheless, changes have occurred since the advent of President Mubarak. Writers like Ahmad Baha'el Din in Al Ahram, Mustapha Amin in Al Akhbar and Hussein Ahmad Amin in Al Musawar are allowed free speech.

Baha'el Din, for example, criticised the NPD's made-to-measure electoral law that excluded the Left from parliament.

On the other hand after Al Ahram Al Iktissady's two-year campaign against American and Western interference in Egyptian domestic and foreign affairs the "patience" of the government finally ended two months ago and Lutfi Abdel Azim, editor in chief, was moved aside. The "leftist spirit" is still present, however, in other weeklies like Sabah Al Khayr and Rose Al Yusuf.

Outlets for a journalist to express his views whether Right or Left has been facilitated by the emergence of a free partisan and opposition press since May 1982. The fear of losing a job because of free speech is disappearing since other alternatives exist.

If the journalist is Conservative he can write in Al Wafd, the Neo-Wafd weekly, Liberal in Al Ahrar, the organ of the Liberal Party, Leftist or Nasserist in Al Ahali and Moderate Islamist in Al Nur or Al Liwa'a Al Islami. He can even say that the government "falsified the result of the elections" like Al Wafd did or denounce the ruling party's violence and threats in Al Ahali. He can even accuse the NDP's deputies of being "a bunch of desperados, not MPs but M16." With more than half a million weekly circulation the opposition press touches more readers than the organ of the NDP Mayo (350,000) and its Islamic version Al Liwa'a (30,000).

The opposition press readers are mostly mid-level employees or part of the Egyptian intelligentsia, while Mayo is bought by civil servants and the middle class because of its cartoons. In fact the popularity of a newspaper can be measured today with the success of its cartoons, and this is the main reason why Al Akhbar has the highest circulation (750,000) thanks to Mustapha Hussein's caricatures. His competitors in the opposition press manage to have an important piece of the cartoon's cake with their acid representation of the government officials as Keystone Cops and mentally retarded mongols.

However, nowadays Egyptians are disillusioned by the "newspapers claptrap" and speaking about a braggart they say: "He speaks like a journalist."

Alexandre Buccianti